

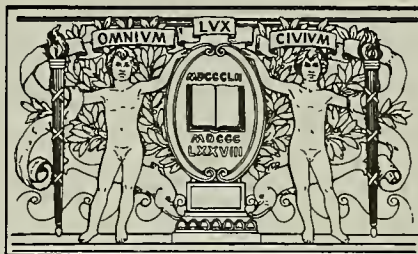
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LOW-RENT HOUSING FINANCING HANDBOOK

June 1969

A HUD HANDBOOK

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CHAPTER 1. SUMMARY OF FINANCING PROCEDURES

1. Introduction

- a. This ~~Chapter~~ outlines the procedure under which funds are made available to Local Authorities for planning, development, and acquisition of low-rent housing projects.
- b. Under the USHAct, HUD is empowered to make loans to Local Authorities to assist in financing their projects. For this purpose, HUD may borrow from the United States Treasury an amount outstanding at any one time of \$1.5 billion. HUD is required to pay interest on such loans at a rate determined monthly by the Secretary of the Treasury. HUD charges the Local Authorities interest at approximately the same rate but redetermined annually instead of monthly. The rate charged by HUD, however, may not be less than a minimum nor more than a maximum as specified in the Contract between HUD and the Local Authority. The total amount of the HUD loan under any Contract may not exceed 90 percent of the aggregate development cost of all projects covered by such Contract.
- c. Loans for development are divided into two categories. Loans (called "preliminary loans") for preliminary surveys and planning are made pursuant to a Preliminary Loan Contract for the purpose of financing the preparation of a development program which will serve as the basis for an Annual Contributions Contract. Loans (called "advance loans") for all other undertakings in the development or acquisition of low-rent housing projects are made pursuant to an Annual Contributions Contract which also covers the terms and conditions under which the project will be operated by the Local Authority and annual contributions will be paid by HUD.
- d. HUD may also make loans to assist in the administration or management of low-rent housing projects. Contracts and procedures for such purpose are treated on an individual basis.
- e. HUD is also empowered to make annual contributions (subsidies) to Local Authorities to assist in achieving and maintaining the low-rent character of projects. For this purpose, HUD may enter into Contracts for annual contributions aggregating not more than \$336 million per annum. The annual contributions which may be contracted for with respect to any project may not exceed a percentage, as stated in the Contract, of the development or acquisition cost of such project and may not be made for a period exceeding 40 years from the date the first annual contribution is made with respect to the project. Annual contributions are pledged as security for loans obtained by the Local Authority to assist in the development or acquisition of the project to which such annual contributions relate.

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f. HUD may also make limited capital grants as an alternative to annual contributions. No feasible method of financing in this manner has been devised and this authority has never been used.

2. Preliminary Loans. Upon execution of a Preliminary Loan Contract (HUD-52480), the Local Authority may obtain advances for expenses, as approved by HUD, incident to planning by submitting to HUD a Request for Approval of Advances under Preliminary Loan Contract (HUD-51991) setting forth the amount required and the purposes for which such advance will be expended, and a Requisition for Funds (HUD-5402). As evidence of its obligation to repay such advances the Local Authority executes and delivers to HUD its Preliminary Note (HUD-52513).

3. Advance Loans

a. Upon execution of an Annual Contributions Contract (HUD-53010, HUD-53011), the Local Authority may obtain advances on account of the loan as approved by HUD to finance the development cost of its project.

b. Advances may be obtained by the Local Authority submitting to HUD a Request for Approval of Advances for Non-Permanently Financed Projects (HUD-5216) setting forth the amount required and the purposes for which such advance will be expended, and a Requisition for Funds (HUD-5402). As evidence of its obligation to repay such advances the Local Authority executes and delivers to HUD its Advance Note (HUD-52334) in respect to nonpermanently financed projects, or its Permanent Note (HUD-52250) in the case of permanently financed projects. From the first advance received under the Annual Contributions Contract, the Local Authority repays to HUD its borrowings under the Preliminary Note, with interest, which aggregate amount is thereupon merged into its Advance Note obligation.

4. Temporary Notes

a. When advance loans have reached a sizeable amount (usually over \$50,000), arrangement is made for the Local Authority to sell short-term obligations, known as "Temporary Notes," to private investors in order to repay its obligations to HUD and obtain additional development funds. The interest rate on these notes is usually less than HUD is required to charge due to their tax exempt status and the fact that they are secured by the unconditional obligation of HUD to make an advance loan sufficient to pay the principal and interest on the Temporary Notes at maturity. Pursuant to Sec. 22(c) of the USHA of 1937, as amended, the notes are incontestable in the hands of a bearer when certified by HUD that they are secured by a HUD advance, and the full faith and credit of the United States is pledged to the payment of such advance. All Temporary Notes issued since October 3, 1961 have been so certified.

b. The principal amount of each series of Temporary Notes will normally provide sufficient funds to repay outstanding HUD advances and maturing Temporary Notes with interest, and take care of the Local Authority's financial requirements for development work for a period of three to six months subsequent to the date the proceeds of the Temporary Notes become available. During the development period funds are provided through the issuance of succeeding series of Temporary Notes and interim advances by HUD until permanent financing. After permanent financing Temporary Notes may also be issued to refinance HUD advances represented by Permanent Notes.

5. Permanent Financing

a. The amount which HUD may lend, or agree to lend, as security for Temporary Notes is limited to the amount which HUD may borrow from the Treasury. This lending power must be kept at a maximum in order to make planning loans and loans for development during the early stages of new projects. Accordingly, after the award of the main construction contract for a project and before completion thereof, it is necessary to enlist private capital to the maximum extent practicable in the definitive or permanent financing of such project.

b. Depending upon the circumstances, as hereafter discussed, permanent financing will be accomplished by one of the following methods:

- (1) Public sale by a Local Authority to others than HUD of an issue of long-term serial bonds (called "New Housing Authority Bonds") in an amount sufficient to finance all or substantially all of the development cost.
- (2) Public sale by the Local Authority to others than HUD of an issue of Series A Notes in an amount approximately 12 percent of the development cost and a HUD loan for the balance.
- (3) HUD 100 percent loan.

Methods (2) and (3) are used only when method (1) is not feasible.

c. When permanent financing is contemplated the Local Authority submits a Determination of Minimum Development Cost (HUD-52397). This form, as approved by HUD, indicates the minimum amount required to develop the project and establishes the amount of the initial permanent financing. If the completion costs exceed the amount of such financing, the additional funds required may be advanced by HUD to the Local Authority on its Permanent Note upon approval of an upward revision of the Determination of Minimum Development Cost.

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6. Bonds

a. Bonds are sold to the highest bidder after advertisement; are issued in bearer form as coupon bonds in the denomination of \$5,000 each or in fully registered form without coupons in such denomination or any multiple thereof; mature serially in not more than 40 annual installments with interest payable semiannually; and are callable after 15 years from their date at a premium of 4 percent which premium declines by 1 percent at 5-year intervals thereafter.

b. The bonds are exempt from all Federal income taxes and are secured by annual contributions unconditionally payable by HUD pursuant to the Annual Contributions Contract in amounts which, together with other available funds, will be sufficient to pay the principal and interest when due. Pursuant to Sec. 22(c) of the USHAct of 1937, as amended, the bonds are incontestable in the hands of the bearer when certified by HUD that they are secured by annual contributions and that the full faith and credit of the United States are pledged to the payment of such annual contributions.

c. Normally, bonds are not sold to finance small programs of less than \$500,000 because of the expense involved, including a somewhat higher interest cost on small issues.

7. Series A Notes. Where Local Authorities have small programs costing less than \$500,000 and the expense of issuing bonds is disproportionate to such cost, permanent financing may be accomplished through the public sale of short-term coupon bonds, called Series A Notes. These notes mature serially in eight annual installments with interest payable semiannually and are not callable prior to maturity. The notes represent about 12 percent of the project development cost with the remainder of such cost financed by the HUD loan evidenced by the Local Authority's Permanent Note. Series A Notes have the same tax exempt status and security as New Housing Authority Bonds. Commencing in 1962, HUD has developed a method of financing called Group Financing, whereby a group of Local Authorities in a cooperative effort appoint one of their number as agent to issue bonds and notes to others than HUD to finance their projects collectively. Thus several Local Authorities with small programs may join to sell a single large issue of bonds with all attendant economies. Accordingly, it should not be necessary to issue Series A Notes in any State where Group Financing is permitted.

8. HUD 100 Percent Loans. When an Annual Contributions Contract covers two or more projects and it becomes necessary to permanently finance one of such projects which is too small to finance by the issuance of bonds, HUD will give consideration to permanently financing such project upon the delivery to it of the Local Authority's Permanent Note for such purpose. HUD may not finance any project 100 percent if, to do so, would make the outstanding HUD loan under the Contract exceed 90 percent of the development cost of all projects thereunder.

CHAPTER 2. HUD LOANS

Requisition of Funds for Non-Permanently Financed Projects and Revision of Maximum Loan Commitment

1. Scope. This Chapter sets forth procedures for obtaining HUD approval of the amount of advances to be made with respect to Non-Permanently Financed Projects and for requesting funds pursuant to such approvals. See Chapter 3 for procedures for obtaining advances for Permanently Financed Projects.
2. General Procedure
 - a. In order to obtain advances of funds for a Non-Permanently Financed Project the Local Authority shall first prepare a Request for Approval of Advances (see paragraph 3 below) for such Project. The amounts contained in such request will be based on estimated costs to be incurred to the end of the period for which advances are being requested. If the advances approved exceed the Initial Loan Commitment, the Maximum Loan Commitment is automatically revised and no amendment to the Contract is required (see paragraph 4 below).
 - b. Normally the Local Authority should request approval of advances to meet the costs to be incurred during a three months' period. For example, if the Authority determines in July (based on costs actually incurred to June 30) that additional funds are required, it should generally request HUD approval of advances based on costs to be incurred to the end of September. Advances for future needs beyond three months may be approved if the Local Authority and HUD agree that economy will be achieved through the sale of Temporary Notes to meet future needs in excess of three months.
 - c. Under the procedure set forth in this Chapter, Requests for Approval of Advances for a given period will be based on the costs to be incurred up to the end of such period (i.e. expenditures as defined in the Low-Rent Housing Accounting Handbook), which incurred costs cover all construction work in place or material stored to the end of such period even though a portion of this incurred cost will not actually be disbursed in cash until after the end of the given period. For example, if in July a Local Authority requests advances for costs to be incurred to the end of September, such advances would include the cost of work put in place during September for which payment to the contractor would be made early in October. A subsequent request for approval of advances made early in October would be approved and funds available in time to meet the next periodic payment due the Contractor in November.

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d. As soon as a Request for Approval of Advances has been approved by the Regional Office, the Local Authority may submit a Requisition for Funds to the Regional Office (see paragraph 5 below) or, if such course has been agreed upon, proceed to sell Temporary Notes to private investors. A Local Authority may, if it wishes, requisition the amount of the advance approved for a given period in several installments, in order to save interest. For example, it might make three monthly requisitions covering the amounts approved for a three months' period. Funds for such partial requisition will be immediately provided by HUD as long as the total of such partial requisitions is within the amount of advances approved by the Regional Office.

3. Request for Approval of Advances. Requests for approval of advances shall be prepared on Form HUD-5216, Request for Approval of Advances for Non-Permanently Financed Projects. The original and three copies shall be submitted to the Regional Office. One copy of Form HUD-5216 will be returned with HUD's determination of the amounts which it will advance indicated in Column (5) thereon. (See Appendix 1 also.)

Column (2). Amounts to be entered in this column should be copied from Column (2) of the latest Development Cost Control Statement

unless later figures are readily available from the books of account. Do not enter cents but round out to the next higher dollar. Such amounts will represent costs incurred rather than cash disbursements. In the blank space in the heading of Column (2) enter the date as of which the last Control Statement was prepared or if later information is entered, the date as of which the later information was prepared.

Column (3) In the blank space in the heading of Column (3), insert the date which is the end of the period covered by the estimate (see paragraph 2b, above). In Column (3) for each item enter an estimate of additional development cost to be incurred during the period beginning with the date shown in the heading of Column (2) and ending with the date shown in the heading of Column (3). The amounts entered in Column (3) should be estimates of costs which will be incurred during the period rather than estimates of cash disbursements. The cost of any work in place or of any equipment delivered prior to the beginning of the period will be in Column 2 even though payment in full has not been made therefor and, accordingly, any payments not yet made for such items should not be included in Column (3). Instructions for estimating the amounts to be entered in Column (3) are set forth below:

- a. Overhead. Overhead should normally be estimated by projecting the current rate of expenditures for the period covered by Column (3).
- b. Interest Expense - Net. Since interest is a very small proportion of Total Development Cost it is not necessary that an accurate estimate of interest cost be made in preparing the Request for

Approval of Advances. The total principal amount on which interest should be estimated is the total of Column (4) exclusive of interest. In general the HUD Loan Interest Rate should be used in estimating the amount of interest.

- c. Initial Operating Deficit. No amount should be included for Initial Operating Deficit unless a deficit is actually being incurred.
- d. Planning. The principal items included in Planning are Architectural and Engineering Fees, Inspection Costs, and Fees for HUD Services. Architectural and Engineering Fees should, of course, be based on the schedule of payments in the Architect's Contract. Inspection Costs, except for minor costs in connection with demolition, will not begin until award of the Main Construction Contract. No amount for Fee for HUD Services should be included prior to award of the Main Construction Contract. Ninety percent of such fee (based on applying the schedule of fees to the Total Development Cost including contingencies in the Contract Award Budget) should be included in the first request submitted after the award of the Main Construction Contract unless at such time the amount is already reflected in Column (2).
- e. Site Acquisition. Amounts for Site Acquisition will, of course, be included where the site is being acquired during the period covered by Column (3).

f. Structures and Equipment

(1) Prior to Award of Main Construction Contract. No amounts are to be included for construction work or equipment in requests submitted prior to the award of the Main Construction Contract except amounts for demolition work and nondwelling equipment required at an earlier date.

(2) After Award of Main Construction Contract. After award of the Main Construction Contract estimated costs for the work covered by the Main Construction Contract or Contracts should be obtained by first estimating the percentage of completion (work in place plus material stored on site) of the contract work up to the end of the period and applying this percentage to the total amount of the Contract. To the amount so obtained there should be added the estimated cost of any materials which will be stored on the site at the end of the period. The amount thus obtained will represent the total cost incurred up to the end of the period; from it deduct the amount shown in Column (2) and enter the difference in Column (3) opposite Account 1480. After award of the Main Construction Contract where certain construction and equipment work (such as landscaping or the furnishing of movable equipment) is not included in the Main Construction Contract, amounts may be included for such items if it is anticipated that contracts for

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such items will be awarded and work will be performed or delivery made during the period. Amounts for such items should be entered under the appropriate functional account (1450 through 1475).

(3) Supplemental Instructions for Projects Being Developed in Stages. The extra blank lines below Account 1480 are to be used only where projects are being developed in stages. The value of main construction work in place for each stage under contract will have been entered on separate lines in Column (2). The amounts for the period covered by Column (3) should be shown separately on the appropriate lines in Column (3). No amounts are to be included for stages not under contract. 1/

(4) Itemization of Nondwelling Equipment. Nondwelling equipment shall not be purchased prior to approval of a request for funds therefor. At any time when funds are requested for nondwelling equipment, an itemization of such equipment, including the cost of each item, shall be submitted in support of Form HUD-5216.

Column (4)

a. General. Enter the totals of Columns (2) and (3).

b. Contract Retentions. Prior to award of Main Construction Contract enter "None." After award of Main Construction Contract enter the estimated amount of contractor's billings which will be withheld as of the end of the period, pending acceptance of the work and final settlement therefor. For the purpose of the request it will be necessary to include only retentions in connection with the Main Construction Contract. If the estimated percentage of completion at the end of the period is not more than 50%, the amount of retentions may be estimated at 10% of the amount in Column (4) for Account 1480. If the estimated percentage of completion at the end of the period is more than 50% but less than 100%, the amount of retentions may be estimated at 5% of the total amount of the Main Construction Contract.

Column (5). This column will be filled out by the HAO. If the HAO approves the amounts submitted by the Local Authority, the amounts entered by the HAO in Column (5) will be the same as those entered in Column (4) by the Local Authority.

Column (6). Enter from the Latest Approved Budget (Form HUD-52152) the amounts shown in Column (5) of Part III thereof or, if no budget has been approved since the Development Program, these amounts shall be obtained from the Development Program Estimate after allocation of the 5% contingency to the respective items. The amounts in Column (4) of the estimate for any budget control account (Overhead, Planning, Site Acquisition, and Total Construction and Equipment) or the total of Column (4) (before

1/ The costs of Overhead, Interest, Initial Operating Deficit, Planning, or Site Acquisition shall not be reported upon by stages. If demolition, lawns and planting, and the furnishing of movable equipment are not included in Main Construction Contracts, costs of such items are not to be reported by stages.

deduction of contract retentions) should not exceed the corresponding amounts in Column (6). If such an excess is indicated the amounts previously entered in Columns (3) and (4) should be correspondingly reduced. Further, a revised budget (see RHA 7415.1) should be submitted since such an excess indicates an eventual budget overrun.

Initial Loan Commitment. Enter the Initial Loan Commitment for the Project from Part One of the Contract.

Total Advances Required as a Percentage of Maximum Development Cost. If the advances requested as shown in Column (4) do not exceed the Initial Loan Commitment set forth in Part One of the Contract, leave this item blank. Enter to the next higher figure the percentage which the total advances requested as shown in Column (4) are of the Maximum Development Cost. If such percentage is in excess of 90 and there are no other Projects in the Contract the amounts in Column (4) must be reduced so that the percentage will not exceed 90. If, however, there are other Projects in the Contract the percentage may exceed 90 if the Loan Commitment for all Projects in contract will not exceed 90% of the aggregate Maximum Development Cost of all the Projects. To determine whether such an excess would result fill out the box on the reverse side of the form headed "Relation of Maximum Loan Commitment to Maximum Development Cost - All Projects." Instructions for filling out this box are printed immediately beneath it. If it is found that the Maximum Loan Commitment for all Projects would exceed 90% of the aggregate Maximum Development Costs of all Projects the amounts in Columns (3) and (4) must be reduced so that such percentage for all Projects will not exceed 90 percent.

4. Maximum Loan Commitment. In accordance with the terms of the Contract, the Maximum Loan Commitment in respect to a Project not Permanently Financed is equal to either the Initial Loan Commitment for such Project specified in Part One or such greater amount which HUD in its sole discretion, shall agree to advance to assist the development or financing of such Project, less any retirement of Advance Notes or Temporary Notes (issued for such Project) from funds other than the proceeds of any loan obtained by the Local Authority. ^{1/} Where, in the Request for Approval of Advances (Form HUD-5216), the Total Advances agreed to by HUD as shown in Column (5) exceeds the Initial Loan Commitment the Maximum Loan Commitment is correspondingly increased. This increase in Maximum Loan Commitment is made automatically upon HUD approval of the Request, and no amendment of the Contract will be required in this connection. (See Appendix 1 also.)

^{1/} Such retirements will in general be made only in those rare cases when annual contributions are paid prior to Permanent Financing.

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5. Requisitions for Funds. Requisitions for funds shall be prepared on Form HUD-5402. An original only need be submitted to HUD.

a. Obtaining Funds From HUD

(1) Where the Local Authority is to obtain funds for a Non-Permanently Financed Project directly from HUD rather than through sale of Temporary Notes, requisitions shall be submitted to the Regional Office. A single requisition may cover more than one Non-Permanently Financed Project provided that all of the Projects are in the same Annual Contributions Contract, but the amounts requested for each Project shall be shown separately.

(2) The maximum amount which may be requisitioned for any Non-Permanently Financed Project is equal to the Total Advances Approved by HUD as shown in Column (5) of Form HUD-5216 less the sum of:

- (a) Advance Notes outstanding for the Project;
- (b) The portion, applicable to the Project, of Advance Loans specified in outstanding "Requisition Agreements for Temporary Notes for Non-Permanently Financed Projects;" and
- (c) Any retirements of such notes from sources other than Advance or Temporary Notes. Ordinarily, there will be no such retirements except in the rare case where an annual contribution is paid with respect to a Non-Permanently Financed Project.

Local Authorities are urged to exercise extreme care to requisition no more than the amount approved in Column (5) of Form HUD-5216 less the total previously advanced.

(3) Where the advances approved by HUD cover not more than three months future needs the Local Authority may immediately requisition up to the maximum or may requisition lesser amounts at intervals to save interest costs. Where the advances approved by HUD cover more than three months' needs to permit sale of Temporary Notes to meet future needs the Local Authority shall requisition from HUD only the amounts required to meet its needs until the Temporary Notes are delivered. About two months should be allowed for advertisement for and delivery of Temporary Notes.

b. Obtaining Funds Through Sale of Temporary Notes. Form HUD-5402, Requisition for Funds, will also be used in connection with the sale of Temporary Notes and the Requisition Agreement prepared in connection therewith. Instructions for use of Form HUD-5402 will be given by the Regional Office in connection with each such sale.

Estimating Interest Cost and Revising Maximum Loan Commitment

1. General. This Appendix revises the instructions for estimating interest cost when preparing Form HUD-5216, Request for Approval of Advances for Non-Permanently Financed Projects, and provides for increasing the Maximum Loan Commitment of a project by the amount of interest which will be due at maturity of Temporary Notes sold for such project.
2. Estimating Interest Cost (Paragraph 3b of this Chapter)
 - a. When a request (Form HUD-5216) is prepared for the approval of advances to be obtained from HUD on account of the Local Authority's Advance Note, no amount should be included in Column (3) for interest, except as follows:
 - (1) When preparing the first request after the project has been placed under an Annual Contributions Contract, enter in Column (3) an estimate of the amount of interest which will accrue on the Preliminary Note from the date to which interest was last accrued to the estimated date such note will be paid.
 - (2) If there are any Temporary Notes outstanding at the time a request is prepared for the approval of additional advances from HUD, enter in Column (3) the amount of interest which will accrue on the Temporary Notes from the date to which interest was last accrued to the maturity date of such notes.
 - b. When a request (Form HUD-5216) is prepared for the approval of advances to be obtained by the sale of Temporary Notes, enter in Column (3) the amount of interest which will accrue on outstanding Advance Notes from the date to which interest was last accrued to the estimated date the Temporary Notes will be sold, and the amount of interest which will accrue on outstanding Temporary Notes from the date to which interest was last accrued to the maturity date of such notes. Do not include any amount for interest on new Temporary Notes to be sold.
3. Maximum Loan Commitment (Paragraph 4 of this Chapter). Paragraph 4 provides for the automatic increase in the Maximum Loan Commitment of a project up to the total advances approved for such project. In addition, when Temporary Notes are sold to provide funds for a project, the Maximum Loan Commitment with respect to that project will be automatically increased to an amount equal to (a) the total principal and interest due on such Temporary Notes at maturity, or (b) the total advances approved for such project on Form HUD-5216, whichever is greater. However, the Local Authority shall not offer for sale, or sell, Temporary Notes with respect to a project for an amount (principal) in excess of the total advances approved for such project, nor for an amount which would increase the Maximum Loan Commitment to an amount in excess of the maximum authorized in the Annual Contributions Contract.

CHAPTER 3. TEMPORARY FINANCING

Borrowing Funds to Meet Project Costs Under Federally Secured, Private Short-Term Loans

1. PURPOSE AND SCOPE. The financing procedures under which local agencies participating in the low-rent housing and urban renewal programs may obtain federally secured, private short-term loans have been revised to make the two systems as uniform as possible and to simplify the procedures. This is a revised procedure under which LHA's may borrow funds under federally secured, private short-term loans for nonpermanently financed low-rent housing projects. The sale of short-term notes for permanently financed projects shall also be carried out in accordance with the provisions of this Chapter. These procedures also cover group financing.
2. BASIS FOR BORROWING ON OPEN MARKET. Under an Annual Contributions Contract, the LHA may borrow funds on the private market by issuing short-term notes called "Project Notes" which are secured by the Federal Government. They are secured by the LHA's pledge of a loan under a Requisition Agreement between the LHA and the Federal Government. By resolution, the LHA authorizes the issuance of a note called a "Project Loan Note." It deposits this Note with the Federal Government as evidence of its obligation in respect to loans made under the contract. The full faith and credit of the United States is pledged to the payment at maturity of all amounts agreed to be paid by the LHA as security for its Project Notes. This commitment is based on Section 22(c) of the U. S. Housing Act of 1937, as amended. The full faith and credit pledge is evidenced by an incontestable payment agreement appearing on each Project Note. Unless the LHA arranges through a new financing transaction, or otherwise, to repay the outstanding Project Notes, the Federal Government deposits with the Paying Agent an amount sufficient to repay the principal of and interest on the maturing Project Notes.
3. DEFINITIONS.
 - a. Local Issuing Agency -- the term used to denote either the Local Housing Authority or the Local Public Agency in documents used in both the low-rent housing and the urban renewal programs.
 - b. Issuing Agent -- the term used to denote a Local Housing Authority designated by one or more other Local Authorities as their agent in respect to group financing for certain low-rent housing projects.

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- c. Project Loan Note (HUD-9204) -- the note issued by a Local Authority at the time an Annual Contributions Contract is executed with the Federal Government, for deposit with the Government, to evidence the Local Authority's obligation for loans or advances made by the Government pursuant to the contract.
- d. Project Notes (HUD-9010) -- short-term notes to be sold on the private market by the Local Issuing Agency, which are secured by a pledge by the Local Issuing Agency of its loan rights under the contract with the Federal Government.

4. CONVERSION TO NEW FINANCING DOCUMENTS AND PROCEDURES. The short-term notes sold on the private market to provide temporary financing for low-rent housing projects were originally called "Temporary Notes." Since such obligations have now been renamed "Project Notes," proceedings for the issuance of such Notes must be made consistent with and make appropriate references to certain documents and terminology previously used in connection with the issuance of Temporary Notes. For example, if there are outstanding Temporary Notes at the time a financing transaction is initiated, the documents prescribed herein must be revised to properly reflect the maturing Temporary Notes and, where applicable, the relevant documents must make consistent references to both Local Housing Authority and Local Issuing Agency. The Advance Note has been replaced by the "Project Loan Note." The issuance of the Project Loan Note shall be authorized by the adoption of a "Basic Note Resolution" (Form HUD-9201) by the LHA at the same time the execution of the Annual Contributions Contract is authorized. Each time a Project Loan Note is issued to the Government it shall be accompanied by a General Certificate, Form HUD-9009. If a Resolution was initially adopted authorizing the issuance of an Advance Note for a particular project, a new Basic Note Resolution authorizing the issuance of a Project Loan Note shall be adopted as soon as practicable. Section 6 of Form HUD-9201 authorizes the exchange of a new Project Loan Note for any Advance Note authorized by a previous resolution. After the resolution is adopted, a Project Loan Note shall be immediately issued by the LHA and the amount of outstanding advances from the Government to the LHA in respect to the particular project will be entered by the Government on the "Statement of Advances and Repayments" appearing on the Note. Each Project Loan Note will set forth the maximum aggregate amount of advances on its face. Since the Project Loan Note is an "open end" form of note which is continually held by the Government after its issuance, advances made by the Government to the LHA will be recorded on the Note as they are made. Repayments of principal and interest will also be recorded on the Note as made.
5. ADOPTION OF A MASTER RESOLUTION. Prior to the initiation of private financing, the LHA shall adopt a "Master Resolution" (Form HUD-9000) authorizing the sale, issuance, and delivery from time to time of Project Notes and the execution of Requisition Agreements. If, for any reason,

a Master Resolution cannot be adopted, a resolution must be adopted authorizing the sale of a specific issue of Project Notes and the execution of a Requisition Agreement. (Form HUD-9016 shall be used for this purpose.) The procedures set forth herein are predicated upon the assumption that a Master Resolution can normally be utilized. In cases where a Master Resolution cannot be utilized, these procedures and the forms prescribed herein must be modified accordingly.

6. DURATION OF LOAN PERIOD. The LHA may borrow on the open market for a period of from 3 to 13 months. The length of the period shall be determined after taking into consideration the estimated amount of funds required in each month; the relationship between added interest costs over a longer period and added administrative costs from more frequent borrowings for shorter periods; the current availability of annual contributions to amortize the Notes; the progress of project development; and the scheduling of the project for permanent financing.
7. AMOUNT OF LOAN. When borrowing on the open market, the LHA generally should obtain sufficient funds to (a) repay direct Federal loans, (b) refund maturing Project Notes, and (c) meet LHA cash needs to pay development costs for a period generally of from 3 to 8 months. For both nonpermanently and permanently financed projects receiving annual contributions, there may be available from annual contributions funds to pay the full amount of interest and to retire part of the principal of the maturing Notes, thereby reducing the amount of funds required from new borrowings.
8. BOND COUNSEL. The consolidated Notice of Sale (see "Advertising of Project Notes," below) shall stipulate that the respective issues of Project Notes shall be subject to approval by attorneys designated by the purchaser, and that the purchaser shall pay the fees or charges of any attorneys so designated.
9. SUBMISSION OF REQUEST FOR ADVANCES AND RELATED DOCUMENTS. Approximately 6 weeks preceding the Scheduled Advertising Date shown in the Private Financing Schedule for the Low-Rent Housing Program (Appendix 1), the Regional Office will transmit a letter to the LHA, together with Form HUD-5216 (Form HUD-52397 is used for permanently financed projects), for each project for which funds will be needed to meet current maturing obligations and to pay development costs that will be incurred during the loan period covered by the proposed Project Notes. At that time, the LHA must determine whether funds will be needed prior to the receipt of the proceeds from the proposed new Notes. If funds will be needed, the LHA should prepare a Requisition for Funds (Form HUD-5402) for the minimum amount needed, to be received in the Regional Office not less than 10 days prior to the Scheduled Advertising Date. Not later than

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4 weeks preceding the Scheduled Advertising Date, the LHA shall transmit the following documents to the Regional Office (see Form HUD-9205 for Guide Form of Letter):

- a. One executed copy and two conformed copies of Form HUD-5216.
- b. One executed copy and one conformed copy of Form HUD-5402. (Omit this item if no funds are required prior to receipt of the proceeds of the new Project Notes.)

A copy of Form HUD-5216, as approved by the Regional Office, will be returned to the LHA with appropriate explanations of any exceptions taken. The Government is responsible for arranging for the publication in The Daily Bond Buyer of the consolidated Notice of Sale which includes the Project Notes being offered, as well as for the printing of the Project Notes. Therefore, the LHA shall, in its letter to the Regional Office, authorize HUD to arrange for publication of the Notice of Sale in The Daily Bond Buyer, to instruct the publisher to bill the LHA directly for its pro rata share of the cost, and to arrange for the printing of the Project Notes at the LHA's expense.

10. ADVERTISING OF PROJECT NOTES

- a. Publication in The Daily Bond Buyer. The arrangements for advertising the sale of the Project Notes in a consolidated Notice of Sale in The Daily Bond Buyer will be handled in HUD Headquarters in Washington, D. C. Two copies of the consolidated Notice of Sale will be forwarded to the LHA. The Daily Bond Buyer will transmit an executed copy of the affidavit of publication to the Regional Office and two copies to the LHA. The LHA shall hold one copy for subsequent transmittal to Bond Counsel. (See "Submission of Documents To Bond Counsel " below.) If two or more Bond Counsel are designated for a particular issue, additional executed copies of the affidavit of The Daily Bond Buyer shall be obtained and transmitted to each Bond Counsel.
- b. Local Advertisement. If local publication of the Notice of Sale is required by State or local law or by local policy, Form HUD-9001, Notice of Sale--Project Notes, shall be used for that purpose. The Regional Office will forward to the LHA two completed copies of Form HUD-9001. The LHA shall check any locally published notice of sale as soon as it becomes available and notify the Regional Office of any irregularity. Upon local publication (on the date of publication, if possible), the LHA shall obtain three dated and executed copies of the publisher's affidavit of publication. One copy shall be promptly transmitted to the Regional Office and one copy shall be held for subsequent transmittal to Bond Counsel. If two or more Bond Counsel are designated for a particular issue, additional executed copies of the affidavit of the local publisher shall be obtained and transmitted to such Bond Counsel. At the same time the Regional

Office transmits a copy of the completed Form HUD-9001 to the LHA (11 days prior to the Scheduled Advertising Date), it will also transmit two copies of Form HUD-9002, Form of Proposal, completed except for the portions to be completed by the bidder. The LHA shall reproduce the Form of Proposal and the Notice of Sale and distribute them to local banks and investment houses and to prospective purchasers of the obligations. The LHA shall promptly furnish copies of the Form of Proposal to persons who may inquire, and shall add the names of those who make inquiries to its mailing list of prospective purchasers. The Regional Office will furnish copies of the Form of Proposal to persons who may inquire there. No changes will be made on Form HUD-9002 without the concurrence of the Regional Office.

- c. Location of Public Bid Opening. The LHA shall furnish the Regional Office a designated room number for inclusion in the LHA's address to be set forth in the Notice of Sale, to be published locally and in The Daily Bond Buyer. The room number shall not be changed prior to the bid opening. If a room number cannot be designated, the precise location of the public bid opening within the building located at the address to be given in the Notice of Sale must be indicated as specifically as possible. To further assure the timely delivery of all bids to the proper location, appropriate measures should be taken on bid opening days to assure the delivery of bids to the proper location. For example, signs could be posted in a conspicuous place at the building's main entrance directing messengers to the location indicated in the Notice of Sale.

11. SALE OF NOTES AND AUTHORIZATION OF TRANSACTION

- a. Bid Opening Day. One hour prior to the hour specified for bid opening, the LHA shall check the local telegraph office for undelivered telegrams and shall request immediate delivery of any such telegrams. On the hour specified for bid opening, the awarding official on behalf of the LHA shall formally declare the bidding closed. The LHA shall open all bids and supplements to bids which are received prior to the designated bid opening hour and shall leave all late bids and supplements unopened. The LHA shall make the award on the basis of the completed bids that were received on time. After the award has been made, the LHA shall open the late telegraphic bids and supplements, clearly marking each envelope and its contents "Late Bid." (See "Handling of Late Telegraphic Bids " below.) Late bids and supplements submitted other than by telegram shall be returned to the bidder unopened with an explanation of the reasons for the action. The LHA's decision as to the successful bidders must be made, and the Regional Office's concurrence by telephone in this decision must be obtained, as soon as possible on the same day that the bids are opened. As soon as the LHA has made its decision

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with regard to the awards, it shall provide the Regional Office with the following information by telephone:

- (1) Name and address of each bidder, including those bidders who have submitted irregular or incomplete bids.
- (2) Name and address of Bond Counsel, if any, designated by the successful bidder in each bid submitted.
- (3) Name and address of the Paying Agent named by the successful bidder in each bid submitted.
- (4) Aggregate principal amount of the Project Notes bid for by the successful bidder in each bid submitted.
- (5) Interest rate specified by each bidder for each bid submitted.
- (6) Premium, if any, offered by each bidder in each bid submitted.
- (7) Total number of Project Notes specified by each successful bidder in each bid submitted.
- (8) Project Note denominations specified by each successful bidder in each bid submitted.
- (9) Indication of the bids which the LHA desires to accept.

Upon the concurrence of the Regional Office, which will be given by telephone, the LHA shall send a telegram of the acceptance to each successful bidder. The telegram shall be signed by the LHA officer who is authorized to make the award and shall be confirmed by letter. A copy of each confirming letter shall be furnished to the Regional Office. The telegram accepting the bid shall be dispatched within 1 hour of receipt of HUD telephonic concurrence in the award. Bidders will ordinarily assume, in the absence of a notice of award during the day the bids are opened, that they have been unsuccessful.

- b. Handling of Late Telegraphic Bids. If a telegraphic bid or supplement to a bid is rejected solely because it is negligently delivered subsequent to the specified bid opening hour, the LHA shall file a claim with the Western Union Telegraph Company for the total difference in interest costs, including premium, between the successful bid and the late bid. Claims filed by an LHA with Western Union shall be accompanied by a copy of the telegraphic bid; however, the original telegram shall be retained by the LHA. The claim shall point out the precise time the wire was submitted to Western Union by the sender and any instructions given by the sender relating to the "deadline" for delivery. (Normally, telegraphic bids are submitted to Western Union with specific instructions to deliver the telegram by a certain time. Such instructions are usually set forth in the copy of the telegram delivered to the addressee.) If possible, the claim shall

also indicate the manner in which Western Union was negligent in failing to deliver the telegram prior to bid opening and shall set forth, in detail, the computation of damages without reference to any possible legal limitation of Western Union's liability. The claim shall request payment of the entire amount of damages. All amounts recovered from Western Union by the LHA shall be treated as a reduction of interest expenses for the project involved. Any questions concerning the filing of a claim with Western Union shall be referred to the Associate Regional Counsel (GPS), and the Associate Regional Counsel shall be furnished copies of all correspondence relating to such claims. In addition, the concurrence of the Regional Counsel shall be obtained prior to the final settlement of any claim filed with Western Union.

- c. Authorization Meeting of LHA Governing Body. If, for any reason, a "Master Resolution" has not been adopted, as soon as practicable after the award of the bids, the LHA shall hold a meeting for the purpose of adopting the resolution authorizing the transaction. The Regional Office will provide the necessary forms together with instructions as to their completion and distribution. Form HUD-9016, Resolution Authorizing the Sale, Issuance and Delivery of Project Notes, shall be used. The Basic Note Resolution (Form HUD-9201) must be adopted before adoption of the above-referenced resolution. The resolution shall authorize the issuance, sale, and delivery of the particular Project Notes and the execution of the particular Requisition Agreement. The Minutes of the Meeting shall be prepared in accordance with Forms HUD-9011 through HUD-9014.
- d. Documents for Closing of Loan Transaction. Promptly following the award of Notes, the Regional Office will send to the LHA the documents required by the Regional Office and Bond Counsel for the completion of the loan transaction (see "Completion of Loan Transaction " below).

12. COMPLETION OF LOAN TRANSACTION

- a. Submission of Documents To Regional Office. Not later than 9 working days prior to the Closing Date, the LHA shall complete, execute, and submit to the Associate Regional Counsel (GPS) the following documents. The letter transmitting the completed documents shall be prepared in accordance with Form HUD-9206, Guide Form of Letter from LHA to HUD Regional Office Transmitting Private Financing Documents After Sale of Project Notes.
 - (1) Three counterparts of the "Requisition Agreement" (Form HUD-9003), duly executed on behalf of the LHA by its proper officers. If more than one Bond Counsel has been designated to render an approving opinion on the Project Notes, one additional counterpart of the Requisition Agreement, duly executed on behalf of the LHA, shall be transmitted for each additional Bond Counsel.

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- (2) If required by Bond Counsel, one signed and dated "Certificate As To Legislation" (Form HUD-9006), signed by the LHA's attorney.
 - (3) The Project Notes, each of which Notes has been duly executed on behalf of the LHA, under seal, and all of which Notes have been arranged and grouped in separate groups corresponding to the Paying Agent named in the Notes of the particular group.
 - (4) One properly signed and dated original and two signed and dated copies of each "Letter of Instructions" (Form HUD-9004), from the LHA to each Paying Agent for the Project Notes. If more than one Bond Counsel has been designated to render an approving opinion on the Project Notes, one additional signed and dated copy of each Letter of Instructions shall be transmitted for each additional Bond Counsel.
 - (5) Three executed, but undated, copies of the "Signature Certificate and Receipt" (Form HUD-9005) for each Paying Agent. If a Paying Agent is Paying Agent for more than one purchaser in respect to the Series of Notes, an additional executed, but undated, copy shall be furnished for each additional purchaser. The Signature Certificate and Receipt will be dated and become effective on the Closing Date. Accordingly, the LHA shall notify both HUD and the Bond Counsel immediately of any factual changes, such as the development of litigation, which may render the use of the Certificate inappropriate as of its effective date.
 - (6) The original and one signed copy of the "Requisition for Funds" (Form HUD-5402).
 - (7) One unsealed, stamped envelope addressed to the LHA for use by each Paying Agent in returning to the LHA a copy of the accepted Letter of Instructions.
 - (8) Any other documents which are required by Bond Counsel prior to the issuance of the approving opinion, as specified by the Regional Office.
- b. Submission of Documents to Bond Counsel. At the same time the LHA submits the Note transcript documents to the Regional Office, it shall submit to each Bond Counsel an executed copy of the affidavits of publication received from The Daily Bond Buyer and, if any, from the local publishers. If required by Bond Counsel, the LHA shall assure that Bond Counsel is furnished one duly certified transcript of all proceedings taken for the organization of the LHA, one duly certified copy of the charter or bylaws of the LHA, and one duly certified copy of each change in or amendment of such charter or bylaws. Each certified copy shall be accompanied by duly certified extracts of the LHA's minutes pertaining to the particular charter, bylaws, change, or amendment. The LHA shall request Bond Counsel to return the transcript documents after they have served the purpose
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of Bond Counsel.

- c. Completion of HUD Action. When the Regional Office has received the required documents and has completed its action with respect to them, it will:

- (1) Approve the Requisition (Form HUD-5402) and execute the Requisition Agreement (Form HUD-9003).
- (2) Transmit one fully executed copy of the Requisition Agreement to the LHA.
- (3) Transmit to each Paying Agent:
 - (a) Three executed copies of the Letter of Instructions with two counterparts of the Signature Certificate and Receipt. (If more than one Bond Counsel has been designated with respect to the particular group of Notes to be handled by the same Paying Agent, an additional executed copy of the Letter of Instructions will be transmitted for each Bond Counsel. If the Paying Agent is Paying Agent for more than one purchaser of the particular group of Notes, an additional copy of the Signature Certificate and Receipt will be transmitted for each additional purchaser.)
 - (b) All of the Project Notes as executed by the LHA.

The Paying Agent will receive all of the above documents by the Friday preceding the Closing Date.

- (4) Complete and transmit to each Bond Counsel, as early as possible and at least 5 working days prior to the Closing Date, the documents required prior to the issuance of the approving opinion.
 - (5) Forward a letter to the Paying Agent for the maturing Project Notes listing the amounts the Paying Agent will receive in payment of the maturing Notes, and requesting the Paying Agent to telegraph a notification that payment for the maturing Notes has been received in accordance with Paragraph 8 of the Letter of Instructions.
- d. Closing of Loan Transaction. When the Paying Agent is prepared to accept responsibility under the Letter of Instructions, it will return to the LHA a copy of that Letter showing its acceptance. In the absence of unanticipated and unresolved questions, the Paying Agent will disburse the proceeds from the sale of the Project Notes in accordance with the Letter of Instructions.

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13. GROUP FINANCING. Some State laws authorize LHA's to cooperate with one another in the exercise of their powers to issue notes. One LHA may issue a single series of Project Notes in order to provide funds for its own needs and for the needs of other LHA's which may wish to cooperate for this purpose. The procedure for offering and selling Project Notes under group financing is generally the same as described above for individual sales. However, a separate series of documents has been developed for use in group financing. When group financing is proposed, the LHA's involved must agree as to which LHA of their group will act as the Issuing Agent. The LHA which is to act as Issuing Agent shall then adopt the necessary Resolution (Form HUD-9301) authorizing the execution of a Financing Agreement and making the determination to act as Issuing Agent (Form HUD-9302). Each of the other LHA's in the group shall adopt a Resolution (Form HUD-9307) authorizing the execution of the Financing Agreement. The Issuing Agent and one of the cooperating LHA's, through their proper officers, shall execute the Financing Agreement in their respective corporate names. Each of the cooperating LHA's, except the Issuing Agent, shall complete and execute the "Notice to Issuing Agent To Become Party To Financing Agreement" (Form HUD-9303). When the Notice is accepted by the Issuing Agent, each cooperating LHA then becomes a party to the Financing Agreement.

14. FINANCING FORMS

a. Uniform Forms For Use In Renewal and Housing. The following forms have been developed for use in both the urban renewal and low-rent housing programs:

<u>Number and Title</u>		<u>Housing Forms Canceled</u>
HUD-9000	Resolution Authorizing the Sale, Issuance and Delivery of Project Notes and the Execution of Requisition Agreements (Master Resolution for issues covering one or more projects)	HUD-51358B
HUD-9001	Notice of Sale--Project Notes (Short form for local advertising of consolidated or single project issues)	HUD-51351A
HUD-9002	Form of Proposal	HUD-51350A
HUD-9003	Requisition Agreement	HUD-51357
HUD-9004	Letter of Instructions	HUD-51355, 51355X
HUD-9005	Signature Certificate and Receipt	HUD-51360
HUD-9006	Certificate As To Legislation	HUD-5034
HUD-9007	Certificate As To Document(s) (Document to be attached)	-----

HUD-9008	Certificate as to Document(s) (Document not to be attached)	-----
HUD-9009	General Certificate	HUD-5896
HUD-9010	Project Note	HUD-51354
HUD-9011	Certificate of Recording Officer	HUD-5272d, 5272h
HUD-9012	Extract From Minutes of Meeting	HUD-5272a
HUD-9013	Notice of Special Meeting, Certificate of Service of Notice, and Waiver of Regular Notice of and Consent to Special Meeting	HUD-5272e, 5272f
HUD-9014	Introduction and Adoption of Resolution	HUD-5272b, 5272c, 5272g
HUD-9016	Resolution Authorizing Sale, Issuance and Delivery of Project Notes and the Execution of Requisition Agreement (Project financing covering one issue of Notes for one or more projects)	HUD-51353A

b. Housing Forms. The following forms have been developed for use exclusively in the low-rent housing program:

HUD-9201	Resolution Authorizing Execution of Annual Contributions Contract and General Depository Agreement and Issuance of Project Loan and Permanent Notes (Basic Note Resolution)	HUD-52300
HUD-9202	Proposed Sale of Project Notes	HUD-52976
HUD-9203	Consolidated Notice of Sale	HUD-51352A
HUD-9204	Project Loan Note	HUD-52334
HUD-9205	Guide Form of Letter from LHA to HUD Regional Office Transmitting Private Financing Documents Prior to Advertising of Project Notes	-----
HUD-9206	Guide Form of Letter from LHA to HUD Regional Office Transmitting	-----

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Number and Title

Housing Forms Canceled

Private Financing Documents After
Sale of Project Notes

Form HUD-51352B, Guide Form of Letter from Local Authority to The Daily Bond Buyer Regarding Consolidated Notice of Sale, has been canceled and not replaced.

- c. Housing Forms (Group Financing). The following forms have been developed for use in group financing:

HUD-9301	Resolution Authorizing the Execution of Financing Agreement and Determining to Act as Issuing Agent	HUD-53020
HUD-9302	Financing Agreement	HUD-53021
HUD-9303	Notice to Issuing Agent to Become Party to Financing Agreement	HUD-53021A
HUD-9304	Resolution Authorizing Sale, Issuance and Delivery of Project Notes and Execution of Requisition Agreements	HUD-53022
HUD-9305	Project Note	HUD-53023
HUD-9306	Requisition Agreement	HUD-53024
HUD-9307	Resolution Authorizing the Execution of a Financing Agreement	HUD-53025
HUD-9308	Signature Certificate and Receipt	HUD-53026
HUD-9309	Requisition for Funds	HUD-53030
HUD-9310	Letter of Instructions	HUD-53032, 53032X
HUD-9311	Resolution Authorizing Amendment of Financing Agreement	-----

- d. Supply of Forms. The new and revised forms indicated above will be available from the Regional Office.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

PROJECT NOTES

Issued to Finance Housing Projects

PRIVATE FINANCING SCHEDULE¹

Group No. (1)	Advertising Date ² (2)	Bid Opening Date ² (3)	Project Note (Closing) Date ² (4)	Project Note Maturity Date ² (5)
72-1	11-23-71	12-07-71	1-04-72	1-07-72
72-2	12-21-71	1-04-72	2-01-72	2-04-72
72-3	2-01-72	2-15-72	3-14-72	3-17-72
72-4	2-29-72	3-14-72	4-11-72	4-14-72
72-5	3-21-72	4-04-72	5-02-72	5-05-72
72-6	4-25-72	5-09-72	6-06-72	6-09-72
72-7	5-31-72 (Wed.)	6-13-72	7-11-72	7-14-72
72-8	6-27-72	7-11-72	8-08-72	8-11-72
72-9	8-01-72	8-15-72	9-12-72	9-15-72
72-10	8-22-72	9-06-72 (Wed.)	10-03-72	10-06-72
72-11	9-19-72	10-03-72	10-31-72	11-03-72
72-12	10-25-72 (Wed.)	11-08-72 (Wed.)	12-05-72	12-08-72
73-1	11-21-72	12-05-72	1-03-73 (Wed.)	1-05-73
73-2	12-19-72	1-03-73 (Wed.)	1-30-73	2-02-73
73-3	1-30-73	2-14-73 (Wed.)	3-13-73	3-16-73
73-4	2-27-73	3-13-73	4-10-73	4-13-73
73-5	3-27-73	4-10-73	5-08-73	5-11-73
73-6	4-24-73	5-08-73	6-05-73	6-08-73
73-7	5-30-73 (Wed.)	6-12-73	7-10-73	7-13-73
73-8	7-03-73	7-17-73	8-14-73	8-17-73
73-9	7-31-73	8-14-73	9-11-73	9-14-73
73-10	8-28-73	9-11-73	10-10-73 (Wed.)	10-12-73
73-11	9-25-73	10-10-73 (Wed.)	11-07-73 (Wed.)	11-09-73
73-12	10-30-73	11-13-73	12-11-73	12-14-73

¹This schedule is subject to change.

²Dates in Columns (2), (3), and (4) are Tuesdays unless otherwise specified.
Dates in Column (5) are Fridays.

CHAPTER 4. PERMANENT FINANCING

1. Introduction

- a. This Chapter outlines procedure for the issuance of Bonds, Series A Notes, and Permanent Notes by Local Authorities.
- b. Bonds are Local Authority long-term obligations sold to others than HUD in an amount sufficient to finance all, or substantially all, of the project development cost. Bonds are secured by annual contributions payable by HUD (which by statute are limited to 40 annual payments) and must mature in not more than 40 annual installments and at a date not later than 41 years from the date of issue of the bonds (called Bond Date).
- c. The bonds of each issue mature serially in accordance with a schedule of annual maturities prepared by HUD. The maturities are so arranged that the aggregate payments of principal and interest due in each year will be substantially equal in amount. The amount (Level Debt Service) necessary to meet these payments may also include a small amount (Bond Service Carryover) which when not needed in a particular year will be carried over and used to supplement the Level Debt Service in succeeding years. The annual contribution (Fixed Annual Contribution) contracted to be paid by HUD is equal to the sum of the Level Debt Services of all unmatured issues of bonds plus certain amounts as may be allocable to notes as more particularly described in the Annual Contributions Contract. Net income (Residual Receipts) for each year is applied toward the payment of the principal and interest on the bonds and to that extent reduces the Fixed Annual Contribution to the actual annual contribution (Accruing Annual Contribution) payable by HUD. For a complete description of the bonds and their security see Secs. 411 through 418 of the Annual Contributions Contract. Bonds issued since 1951 are called New Housing Authority Bonds to distinguish them from the Series A Bonds which were issued prior to that time.
- d. Series A Notes are intermediate-term obligations of a Local Authority which mature in not more than 8 annual installments. They are issued in an amount slightly in excess of the minimum 10 percent of total development cost that must be financed by others than HUD. Series A Notes are issued only for programs costing less than \$500,000 since in such cases the expense of issuing bonds is disproportionate to such costs. In all other respects Series A Notes are identical to bonds.
- e. Permanent Notes are Local Authority obligations issued to permanently finance the amount of the project development cost in excess of the amount of bonds or Series A Notes issued for such purpose. Permanent Notes may be issued also to permanently finance small projects, initially, when the aggregate amount of the HUD loan outstanding under a single Annual Contributions Contract will not exceed 90 percent of the aggregate development cost of all projects under such Contract. All Accruing Annual Contributions and Residual Receipts which are not needed to be applied in each year to the payment of bonds or Series A Notes, are required to be applied to the payment of the

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principal and interest of Permanent Notes or Temporary Notes issued in lieu thereof. The amount of such payments is sufficient to pay and retire the Permanent Note or Temporary Note on or before the first day of the month following the payment of the last annual contribution relating to the project in respect to which the Permanent Note is issued.

f. Each Local Authority offers and awards its own issue of bonds but sales are scheduled and coordinated by HUD so that a number of Local Authorities offer and sell their bonds at the same time.

2. HUD Assistance and Forms

a. The Regional Office will recommend or approve the amount of each issue of bonds; establish the dates of issue and maturity; and otherwise assist the Local Authority in the sale and issuance of bonds, including the preparation of documents necessary to evidence the actions required for the valid award of the bonds. The HAO will furnish all necessary forms and other documents to the Local Authority. Local Authorities should communicate directly with the Regional Office in respect to all matters involved in permanent financing.

b. A list of HUD forms for use by Local Authorities in connection with permanent financing is shown in App.1 to this Chapter. Each is referred to elsewhere in the Chapter. Needed additional instructions for the preparation and use of required forms will be furnished by the Regional Office.

c. After award of the bonds to the successful bidder the attorneys (bond counsel) for the purchaser will prepare the resolution (HUD-52188) authorizing the bonds and all documents necessary to effect valid delivery of the bonds.

3. Amount of Bond Issue and Requisition for Funds

a. In order to maintain an orderly market for bonds and Series A Notes, HUD will coordinate and schedule groups of Local Authority projects for permanent financing at regular intervals (as the financial market may require or permit). Bonds may be issued in amounts sufficient to finance all or a part of the development cost of a project or group of projects under the same Annual Contributions Contract. Bonds may be issued in respect to a project at any time after the award of the main construction contract. However, in order to take advantage of the low interest cost on Temporary Notes during development, projects will ordinarily be scheduled for the sale of bonds or notes about the time they will have reached 70 percent to 80 percent completion. The delivery of such bonds or notes establishes the "Minimum Development Cost" of the projects involved.

b. When a project is scheduled to be permanently financed, the Regional Office will request the Local Authority to evidence its determination of the amount below which the development cost of the project involved will in no event fall by submitting an original and three copies of Form HUD-52397, Determination of Minimum

Development Cost. In order that the Actual Development Cost, when determined, will in no event be less than this initial determination, no amount shall be included for Initial Operating Deficit, contingencies, or for any questionable item of development cost. Interest estimated to accrue after the date of permanent financing should be excluded also.

c. The Local Authority shall complete Form HUD-52397 by entering in Columns 2 and 3 the latest available amounts in the books of account. In the heading of Column 2 show the date as of which such figures were taken. For each construction contract included in Account 1480, Contract Work in Process, list under Column 1 the name of each contractor and type of work performed and opposite each contractor enter in Columns 2 and 3 the amounts applicable to each such contract. Enter in Column 4 for each item (except Initial Operating Deficit and Interest) an estimate of the minimum additional cost which will be incurred in completing the development of the project. When this determination is made in connection with a proposed issue of bonds, the amount of the issue will be based on the total of Column 5 rounded down to the next lower multiple of \$5,000; otherwise, and until determination of the Actual Development Cost, the financing will be based on such total rounded down to the next lower multiple of \$1,000.

d. Whenever it becomes apparent that the development cost of a project will exceed the latest approved minimum development cost of such project, the Local Authority shall prepare and submit to the HAO a revised Form HUD-52397 in accordance with paragraph 3c above except that the amounts shown in Column 4 shall include only amounts which are firmly established. In respect to Accounts 1450 through 1480 such amounts must have been established by executed contracts, purchase orders, approved change orders, and actual bids proposed for acceptance.

e. When Form HUD-52397 has been approved one copy will be returned to the Local Authority. In connection with the sale of bonds, the HAO will furnish one certified copy to the bond counsel also.

f. After approval of Form HUD-52397, the Local Authority may obtain HUD advances up to the amount of the approved total of Column 5, less the amount of funds received by the Local Authority from the proceeds of bonds, Series A Notes, and Permanent Notes theretofore issued in connection with the project involved. In lieu of obtaining an advance from HUD for the payment of approved development cost, however, the Local Authority shall first utilize all available monies from the Advance Amortization Fund of any project under the same Annual Contributions Contract. In order to obtain an advance, the Local Authority shall submit a signed original only of Form HUD-5402, Requisition for Funds, to the Regional Office. If a Permanent Note has not been previously delivered to the HAO, the Requisition for Funds shall be accompanied by such a note duly authorized and executed on behalf of the Local Authority. A single requisition may cover more than one permanently financed project provided that all of the projects are in the same Annual Contributions Contract and have the same Minimum HUD Loan Interest Rate, but amounts requested for each project must be shown separately.

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4. Offering Bonds for Sale

a. After the principal amount of its issue of bonds has been determined, a Local Authority shall offer such issue for sale by means of public advertisements. A 14-day period will meet statutory requirements in all States except Indiana, where a 15-day period is required. HUD will provide uniform publication dates for all advertisements of Local Authorities offering bonds at the same time.

b. State laws which provide for local publication of the Notice of Sale generally provide for such publication in a newspaper of general circulation in the area for which the Local Authority is established. Additional publication may be required in a financial newspaper in the City of New York or elsewhere. The so-called short form of Notice of Sale (HUD-52301E) will usually satisfy requirements for local publication. While statutory publication, locally or elsewhere other than New York City, will be arranged by the Local Authority, HUD will prepare and arrange for the publication in The Daily Bond Buyer in New York City of the so-called consolidated Notice of Sale (HUD-52301D) of all issues of bonds being offered by all Local Authorities in each sale. The Notice of Sale invites the submission of proposals to the office of the Local Authority not later than a specified time on a specified date for the purchase of its issue of bonds. The Notice requires prospective bidders to submit proposals in a prescribed form (HUD-52302D).

c. The consolidated Notice of Sale prepared by HUD will be authorized by each Local Authority sending a letter (HUD-52386) to The Daily Bond Buyer giving the basic data regarding its bonds, the correct corporate name of the Local Authority, the street address at which bids will be received and opened, requesting publication on a specified date, and agreeing to pay a pro rata share of the cost of publication. Such form letter should be transmitted at least three working days in advance of the date of publication so that any inconsistency between the data contained in the letter and the data supplied to The Daily Bond Buyer by HUD may be checked and corrected if necessary. The Daily Bond Buyer will not submit proof prior to publication.

d. Arrangements will be made directly by the Local Authority for the local publication as may be required by State laws. A copy of the short form of Notice of Sale (HUD-52301E) should be sent to the local newspaper in sufficient time for the Local Authority to receive and check proof prior to publication. Proof should be required at least five days before the date of publication, and the newspaper promptly advised and instructed to make publication on the date specified. On date of publication, the newspaper should be checked carefully to ascertain that the Notice of Sale was published as instructed. Failure to publish or any error in publication should be promptly reported to HUD.

e. The local newspaper publishing the Notice of Sale should be required to prepare and provide affidavits of publication on the date of publication, one to the Local Authority and three to HUD. The Daily Bond Buyer will be instructed by HUD as to the distribution of its affidavit of publication.

f. All details of the offering of bonds for sale are stated in the consolidated Notice of Sale (HUD-52301D), which should be read carefully by the Local Authority in order to ensure proper consideration of each bidder's proposal.

5. Receipt of Bids and Approval of Sale

a. On the bid opening day specified in the Notice of Sale, which is the same time for all Local Authorities, the Local Authority shall receive and open bids. The opening of bids by the Local Authority may be accomplished by the secretary without the necessity of a formal meeting of the Commissioners of the Local Authority. The award is subject to the prior approval of HUD. Therefore, each Local Authority should communicate to HUD all bid information immediately upon the opening of proposals. Such information shall be furnished by telephone to the person designated by the Assistant Regional Counsel for Housing Assistance. The following specific information shall be furnished:

- (1) Name of successful bidder
- (2) Interest rate specified
- (3) Premium offered, if any
- (4) Amount and type of check for good faith deposit
- (5) Name of bond counsel
- (6) Names of unsuccessful bidders and rate of interest and premium offered, if any
- (7) Recommendations of the Local Authority as to award or rejection of proposals

b. No proposals received after the time specified in the Notice of Sale shall be considered in determining the successful bidder. This practice should be inflexible and without exception. Each proposal received before the specified time of bid opening shall remain unopened until the specified bid opening hour. Each proposal which is opened should be examined for compliance with the standard form of proposal. Each proposal must be in the form of HUD-52302D, completed and signed on behalf of the bidder.

c. HUD will promptly notify the Local Authority of its approval or disapproval of the Local Authority's recommendation as to the award and sale of bonds or the rejection of proposals. An award should not be made, by resolution or otherwise, until HUD has approved the award.

d. Promptly upon receipt of notification of HUD approval of award, the Local Authority shall award the bonds and advise the successful bidder by telegram of such award. It is of extreme importance that this notification be made within 5 hours after the opening of bids.

6. Award of Bonds to Successful Bidder

a. The Notice of Sale provides that the proposals for the purchase of the bonds shall remain firm for a period of 5 hours after the time set for the opening of bids. It is necessary, therefore, that an award must be made before the end of such period. The award can be made by the Executive Director or other officer of the Local Authority upon prior authorization by the Board of Commissioners or by canvassing the Commissioners by telephone at the time of bid opening or by formal action of the Board at a meeting held for that purpose by the adoption of the award resolution (HUD-52233). Each copy of the resolution should have attached to it a conformed copy of the accepted proposal.

b. In any event, telegraphic advice of award to the successful bidder must be dispatched promptly upon receipt of HUD approval of the award and prior to the end of the 5 hour period. The good faith deposit check of the successful bidder should be deposited as required by the award resolution and the checks of unsuccessful bidders returned before close of business on the bid opening day.

7. The Fiscal and Alternate Paying Agent

a. Selection and Duties

(1) At the time HUD notifies the Local Authority that a project is to be scheduled for permanent financing, the Local Authority should appoint a bank which is a member of the Federal Deposit Insurance Corporation, and has trust powers, to act as Fiscal Agent for the payment of the bonds. The Fiscal Agent may also be a depository of other funds of the Local Authority, but the transactions of the bank as Fiscal Agent are entirely separate and apart from its functions as depository of any other funds. The Fiscal Agent as such is a trustee of the funds deposited with it for the payment of the bonds. The services of the Fiscal Agent should be covered under an agreement in substantially the form of HUD-52173.

(2) Not later than sixty days after the close of the Local Authority's fiscal year, the Local Authority deposits with the Fiscal Agent in a fund called the "Debt Service Fund" all net income (called "Residual Receipts") after payment of operating expense, received during such fiscal year. HUD pays to the Fiscal Agent an annual contribution equal to the difference between the amount on deposit in the Debt Service Fund for the reduction of annual contributions and the amount necessary to pay the principal and interest becoming due in the ensuing 12-month period on the Local Authority's bonds, Series A Notes, and Permanent Notes, plus the Bond Service Carryover. The annual contribution is paid in installments

on the Annual Contributions Date and the date which is six months thereafter. On the semiannual interest dates and on the principal maturity dates of the bonds, the Fiscal Agent uses the money in the Debt Service Fund to pay the principal and interest on the bonds then becoming due and which are presented to the Fiscal Agent for payment, or transfers such money to the alternate paying agent for the payment of the bonds and coupons which are presented to such alternate paying agents for payment. Also, the Fiscal Agent periodically may be required to use monies in the Debt Service Fund to pay Permanent Notes and Project Notes. Each year, after making provision for the payment of the principal and interest which will become due during the next 12-month period, the Fiscal Agent will transfer all remaining monies in excess of an amount called "Bond Service Carryover" from the Debt Service Fund to another trust account called the "Advance Amortization Fund." Any premium received on the sale of its bonds will also be deposited in this fund. The Fiscal Agent will periodically, from monies in the Advance Amortization Fund, retire the Local Authority's Permanent Notes and bonds of the longest maturity by purchase or redemption. The Fiscal Agent may also be required to invest any amounts in the Advance Amortization Fund in specified types of securities or turn such amounts over to the Local Authority.

(3) The alternate paying agent is a bank which is a member of the Federal Deposit Insurance Corporation and is located in the City of New York. The purchaser of the bonds is given the right to designate such paying agent and may also designate an additional paying agent in some other locality. The purchaser is required to name the alternate paying agent or agents within 48 hours after the time set for the opening of proposals. If the purchaser fails to name an alternate paying agent in such time the Local Authority is required to designate such an agent located in New York, N. Y.

b. Maximum Fee Schedule

(1) Negotiations Required by HUD. The fees to be paid by the Local Authority to its local Fiscal Agent should be negotiated and set forth in paragraph 7 of the Fiscal Agent Agreement, Form HUD-52173, or Form HUD-52173A for Group Financing. They may not exceed those shown in the schedule of fees below.

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- (2) Allowable Fee Schedule. Paragraph numbered 7 of the Fiscal Agent Agreement is modified to read as follows:

"7. The Local Authority shall pay to the Fiscal Agent for its services and the services of the Alternate Paying Agent(s) the following fees and charges:

- "a. Annual administrative charge of \$300 for the first one million dollars principal amount of bonds plus $1/50$ of 1% of the principal amount of bonds in excess of one million dollars, but in no event to exceed \$1000 per issue of bonds authorized.
- "b. For registration of bonds: an initial fee of 50¢ for the registration of each bond.
- "c. For sorting, listing, cremating, and furnishing certificate of cremation:

1¢ for each coupon and $1-1/2$ ¢ for each bond or minimum of \$10 for each semiannual cremation.
- "d. For the payment of Permanent Notes, Project Notes, and interest on registered bonds: 25¢ per check disbursed.
- "e. For the payment of coupons by either the Fiscal Agent or Alternate Paying Agent or Agents: 10¢ per coupon. For the payment of bonds (registered or coupon) by either the Fiscal Agent or Alternate Paying Agent or Agents: \$1.25 per bond.

"The Fiscal Agent agrees to pay all fees and charges of the Alternate Paying Agents and to pay all expenses for postage and insurance on bonds received for registration."

- (3) Applicability of Modification. This modification should not be used to provide an increase in any fees relating to bond issues outstanding prior to July 1, 1970.

c. Bank Officer's Authority to Execute Agreement. The Local Authority should require the Fiscal Agent to furnish certified copies of its bylaws or resolutions authorizing the execution of the Fiscal Agent Agreement (HUD-52173 or HUD-52173A) on behalf of the bank.

8. Preparation and Signing of Bonds

a. Award of Contract

- (1) At the time HUD notifies the Local Authority of the date for the sale of the bonds, qualified bank note companies will be advised of this fact and requested to submit quotations for the printing of the Local Authority's bonds. The Local Authority should select the engraver and award the printing contract not later than the date of publication of the Notice of Sale of the proposed bond issues.
- (2) The Notice of Sale provides that it is anticipated the bonds will be delivered within 30 days from the time set for the opening of proposals, but if delivery of the bonds is not made within 45 days from the time set for the opening of proposals, the good faith deposit will be refunded at the option of the successful bidder.
- (3) It is of extreme importance that the award of the printing contract be made promptly and that the engraver be furnished with the bond text. HUD will supply forms of bonds for particular States which can be completed and used for this purpose. Since the printing contract will have been awarded prior to the opening of proposals, there will not be available at this time the interest rate to be borne by the bonds, the annual maturity schedule or the names of the alternate paying agents whose names and addresses will appear in the bond text. These items will be furnished to the engraver after the award of the bonds. A copy of the bond text should also be furnished to bond counsel.
- (4) In coordinating the scheduling of projects for permanent financing, HUD will advise the bank note companies of the maximum time within which each issue of bonds must be delivered in order to comply with the contract of sale of such bonds and to effect maximum savings in interest costs by having the bond delivery coincide as nearly as practicable with the maturity date of Project Notes being refunded by such issues of bonds. The contract between the Local Authority and the bond engraver should specify that the

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bonds will be ready for delivery on or before the date so specified.

- b. Specifications for Bonds. The following are minimum specifications for the printing of the bonds and the bond engraver should be required to certify that the bonds will be printed subject to such specifications:
- (1) Bond Forms. The bond forms used must not be purchasable in blank by printers or others, but must be purchasable only in the form of completed bonds from responsible engraving companies. The name of the engraving company must appear on each bond coupon. The bond form should be of "wing type" (that is, bond and coupon reproduced on a single sheet of paper) and must be of the approximate size of 16" x 27" for the bond and coupons. The coupons must be approximately 1" x 2-1/2". The vignette should be symbolic of building construction with one or two supporting human figures. The paper used must be 100 percent rag bond paper. The color of the border and undertint should be bank note green for the first issue of bonds of each Local Authority. Second and subsequent issues should be as follows: second, orange; third, blue; fourth, olive; fifth, brown; sixth, purple; seventh, red; eighth, blue-gray; ninth, maroon. On all issues after the ninth issue the bond colors shall be as follows: tenth, terra cotta; eleventh, dark green; twelfth, dark orange or 'rex' orange; thirteenth, dark blue; fourteenth, ripe olive; fifteenth, walnut brown; sixteenth, violet or deep purple; seventeenth, rose or deep red; eighteenth, dark blue-gray; nineteenth, dark maroon; twentieth, dark terra cotta. The twenty-first and subsequent issues may be the lighter shades of the first ten colors instead of the darker shades.
 - (2) Face of Bonds. The border, denominational counter, denominational figure, vignette, and undertint underlying all or part of the text must be steel engraved. The text must be of type composition, either lithographed or type printed.
 - (3) Filing (Back of Bond). The border, denominational counter and denominational figure must be lithographed. The text must be from type composition, either lithographed or type printed. The back of the bond should be serially numbered.

- (4) Face of Coupon. The vignette and undertint underlying all or part of the text must be steel engraved. The text must be from type composition, either lithographed or type printed.
- (5) Back of Coupon. The back of the coupon must be lithographed and should not be numbered.
- c. HUD Certification. As permitted by Sec. 22(c) of the United States Housing Act of 1937, as amended, HUD will authorize the Local Authority to have the HUD certification imprinted or reproduced upon each bond over the facsimile signature of the Secretary of the Department of Housing and Urban Development, whose signature will be furnished to the bond engraver by HUD for such purpose. Such authorization and the form of certification will be set forth in the Certificate and Approval Regarding New Housing Authority Bonds (HUD-52200) furnished to the Local Authority by HUD (paragraph 9d). The Local Authority should instruct the bond engraver to reproduce the HUD certification on each bond.
- d. Opinion of Bond Counsel. The bond counsel designated by the successful bidder (paragraph 9a) will furnish an approving opinion. The Local Authority should instruct the bond engraver to reproduce this approving opinion on each bond. Such reproduction should be certified by the facsimile signature of an official of the Local Authority.
- e. Execution of Bonds
- (1) The issuance of New Housing Authority Bonds in \$5,000 denominations substantially reduces the number of bonds to be signed per issue and makes possible a saving in the expense of signing and delivering such bonds. Statutory provisions in most States permit the use of a facsimile of signature and seal. Proper use of this prerogative will facilitate final execution of the bonds, since the manual signature of only one officer is required.
- (2) Several methods of signature and delivery are available:
- (a) Signing the bonds locally followed by delivery by mail or express to the purchaser or his agent for payment

- (b) Signing the bonds at the office of the purchaser or his agent followed by direct delivery
 - (c) Signing the bonds at the office of an establishment maintaining a signature machine (whereby a number of bonds may be signed at one time) followed by delivery by mail or express or by direct delivery, depending upon the location of the signature machine company
- (3) Local Authorities should determine the comparative cost as between the foregoing methods and employ that which will involve the least expense in the light of all circumstances attending the delivery of the bonds.
- (4) Since executed bonds are negotiable, their shipment must be safeguarded by insurance in sufficient amount to protect against any loss. A Local Authority should consult its Fiscal Agent or depository bank as to the safest and least expensive means for shipping negotiable bonds. The Fiscal Agent or depository bank will generally handle shipment of the bonds under the insurance coverage normally carried by such financial institutions, with the Local Authority reimbursing the costs. In such cases, the bonds should be signed at the office of the bank which is to handle the shipment to avoid the hazard of transporting bonds signed elsewhere to such bank.
- (5) Travel to the place of delivery of the bonds is justifiable where the expense involved will not exceed the cost of insurance and shipping charges. In such cases only the travel expense of the officer required to manually sign the bonds may be allowed as an approvable Local Authority expense.

9. Bond Counsel

a. As required by the Notice of Sale, bond counsel will be designated by the successful bidder and its proposal will be subject to the approval of the validity of the bonds by such counsel. Bond counsel will prepare all documents necessary to evidence the validity of the bonds subsequent to award or for corrective action prior thereto and will provide advice and assistance to the Local Authority in connection with actions necessary to the validity of the bonds and to the delivery thereof. Bond counsel should be required to furnish copies of their approving opinion to the Local Authority and to HUD. The fees and charges of bond counsel will be borne by the successful bidder.

b. Upon the designation of bond counsel, such counsel should be immediately furnished with the following:

- (1) Transcript of proceedings evidencing the establishment and organization of the Local Authority
- (2) Certified copy of Cooperation Agreement together with certified transcript of proceedings of (a) the Local Authority and (b) the local governing body evidencing the adoption and authorizing the execution of such Agreement
- (3) Certified copy of Annual Contributions Contract and transcript of proceedings of Local Authority authorizing the execution of such contract
- (4) Certified copy of Fiscal Agent agreement, Local Authority transcript of proceedings and bank bylaws or resolution authorizing execution of Fiscal Agent agreement
- (5) Determination of Minimum Development Cost (HUD-52397) as approved by HUD and indicating the amount thereof to be financed by an issue of bonds
- (6) Local Authority transcript adopting resolution awarding bonds (HUD-52233)

c. Bond counsel will prepare or assist the Local Authority in the preparation of all additional documents necessary to the valid authorization and delivery of each issue of bonds including the following:

- (1) Bond Resolution which must be in substantially the form of HUD-52188
- (2) Letter of instructions from Local Authority to closing bank as to disposition of bond proceeds and delivery of bonds to purchaser
- (3) Signature and No-Litigation Certificate, describing the bonds, certifying as to the status of litigation affecting the issuance of delivery thereof and as to the genuineness of the signatures of the officers which appear in either manual or facsimile form upon the bonds and coupons
- (4) Certificate of Delivery and Payment for the bond issue.

d. When HUD is satisfied that the bonds will have been properly issued and delivered, HUD will furnish bond counsel and the Local Authority with a Certificate and Approval Regarding New Housing Authority Bonds (HUD-52200).

10. Repurchase of Bonds with Premium

a. The Notice of Sale provides as follows with respect to the repurchase of bonds with the bond premium:

"The successful bidder shall sell to the Local Authority the number of the bonds of the last maturity which can be purchased at the successful bidder's reoffering price, with the premium paid for the bonds; provided that if any of the bonds of an earlier maturity are offered at a lower price such lower priced bonds shall be sold to the Local Authority."

This provision of the Notice of Sale upon acceptance of the proposal by the Local Authority constitutes a contract on behalf of the parties to buy and sell the bonds as therein provided.

b. The purchaser of the bonds will take delivery from the Local Authority and will thereafter deliver to the Local Authority's Fiscal Agent the bonds which will be resold to the Local Authority. In order to utilize the premium to the fullest extent for this purpose it may be necessary to supplement the premium with General Funds for the purpose of paying accrued interest. In such cases, HUD hereby approves use of General Funds by the Local Authority for the purpose of supplementing the premium to pay accrued interest. The amount advanced from the General Fund for this purpose will be reimbursed to the Local Authority on the next Annual Contribution Date from the amount of the Annual Contribution or Residual Receipts which would otherwise be required to pay such interest.

c. HUD will furnish each Local Authority which will receive sufficient premium to repurchase units of its bonds with a statement showing the premium, the dollar price of each bond, the principal amount of bonds to be repurchased, and any other appropriate advice regarding the transaction.

d. Upon receipt of this information from HUD, the Local Authority shall require its Fiscal Agent to immediately authorize the bank (called "Closing Bank") at which the purchaser will take delivery of bonds to apply the premium offered to the repurchase of bonds. In those cases where the premium must be supplemented by General Funds in order to pay accrued interest on the bonds so repurchased, the Local Authority should also authorize the Closing Bank to use so much of the proceeds from the sale of the bonds, in addition to the premium, as may be necessary to pay accrued interest on the bonds to be repurchased.

e. For suggested forms of letters to be used (1) by the Fiscal Agent in authorizing a Closing Bank to apply the premium to the repurchase of bonds, see Appendix 2; and (2) by the Local Authority in authorizing the Closing Bank to use certain other amounts of the purchase price of its bonds to pay accrued interest on the bonds to be purchased, see Appendix 3.

f. The Closing Bank will not make any charge to the Fiscal Agent or to the Local Authority for these services. The Fiscal Agent will be reimbursed under the terms of the Fiscal Agent agreement by the Local Authority for disbursement of the premium by the Closing Bank to the same extent as if such disbursement were made direct by the Fiscal Agent.

g. In addition to the requirement of Section 14(E) of the Bond Resolution that the Fiscal Agent furnish HUD with a certificate of cremation or defacement, it is necessary that each Local Authority promptly notify the Office of Financial Systems and Services, HUD, Washington, D. C. 20410 of the following: date of repurchase; face amount of bonds repurchased of each maturity; repurchase price of bonds of each maturity; interest rate on bonds repurchased and amount of accrued interest paid at date of repurchase; date to which interest was paid; and source of funds other than bond premiums used for the repurchase of bonds and the amount paid from each account.

11. Delivery of and Payment for Bonds. As discussed in paragraph 8d, there are several methods for the signing of an issue of bonds. After being executed under any of these methods, the bonds will be delivered to the Closing Bank designated by the purchaser. The bonds will be held in escrow by the Closing Bank pending payment therefor pursuant to instructions from the Local Authority. All documents necessary to effect the valid delivery of the bonds will have been prepared by bond counsel and executed by the Local Authority pursuant to advice and assistance from the bond counsel. It is unnecessary for a Local Authority official to attend the closing since the letter of instructions to the Closing Bank will advise the disposition to be made of the bond proceeds. This disposition is usually made: to the Fiscal Agent of amounts required to meet bond interest payments and any premium; to HUD in payment of Advance or

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Permanent Notes; to the Paying Agent for payment of Temporary Notes which are being refunded by the particular bond issue; and by payment of the balance to the Local Authority to pay project development costs. The balance due the Local Authority will be transferred by wire directly to the Local Authority's General Fund depository. HUD will advise the Closing Bank of the amount of the Local Authority indebtedness by reason of outstanding Temporary Notes or advances from HUD. HUD will also furnish the bond counsel a copy of such statement of indebtedness.

12. Description of Bonds. Prior to each bond sale, HUD sends a description of the bonds in a form substantially similar to that shown in App. 4 to a mailing list of investment dealers and banks interested in the purchase and sale of this type of security.
13. Series A Notes. Series A Notes are substantially similar to bonds in type of security and methods of sale, issuance, and delivery except as discussed in this paragraph.
 - a. Amount of Note Issue and Requisition for Funds. The amount of the note issue and Requisition for Funds are as described in paragraph 3, except that upon approval of the Determination of Minimum Development Cost (HUD-52397), HUD will determine what portion thereof will be sold as Series A Notes. Taking into consideration that the entire Minimum Development Cost must be amortized with interest in 40 substantially equal annual payments, the portion thereof to be sold as Series A Notes will be the maximum amount which can be amortized in the first 8 years from such payments. Depending upon interest rates at the time of the determination such amount may vary from 12 percent to 14 percent of the first established Minimum Development Cost.
 - b. Offering and Award of Notes. The offering and award of Series A Notes are as described in paragraphs 4, 5, and 6 above except that certain of the HUD forms are prepared specifically for Series A Notes. These are: short form of Notice of Sale, (HUD-52272); consolidated Notice of Sale, (HUD-52272A); proposal form, (HUD-52277); and letter to The Daily Bond Buyer giving basic data regarding the notes, (HUD-52351). The resolution awarding the Series A Notes is HUD-52273, and the resolution authorizing the issuance thereof is HUD-52278. The form of Series A Note is included in HUD-52278.
 - c. Fiscal Agent. The Fiscal Agent for Series A Notes is designated by the purchaser, and the fees of such agent up to a maximum stipulated amount are borne by the Local Authority. An alternate paying agent will not be named for Series A Notes. The services of the Fiscal Agent, after designation by the successful bidder, should be covered under an agreement in the form of HUD-52274. The stipulated maximum fees will be stated in the consolidated Notice of Sale as published for each group offering Series A Notes at the same time.

d. Preparation and Signing of Notes. Series A Notes mature in not more than 8 annual installments and are in denominations equal to the principal amount maturing in each year. They are not callable and are in coupon form. A good quality paper should be used in having the notes prepared and should be of a type which will ensure against alteration or forgery. In the preparation of the notes, consideration should be given to the use of facsimile signatures. However, even if each note is signed by 2 persons and each coupon to each note is also signed, the maximum number of signatures would not exceed 104.

e. Bond Counsel. Counsel is designated by the successful bidder and the fees of such counsel up to a specified maximum ^{1/} are borne by the Local Authority. The same corresponding documents will be furnished bond counsel as in the case of bonds. In the case of Series A Notes, the documents which are prepared by bond counsel in respect to the delivery of bonds are prepared by the Local Authority with the assistance of the HAO. HUD forms are available for: Series A Note Resolution (HUD-52278); Letter of Instructions to Closing Bank (HUD-52218); Signature and No-Litigation Certificate and Receipt (HUD-52307). Bond counsel should be required to furnish the Local Authority and HUD with copies of the opinion approving the validity of the notes. The Local Authority pays bond counsel's fees in these cases in order to make the issues more attractive to investors and thus reduce interest cost.

14. Description of Series A Notes. Prior to each sale of Series A Notes, HUD sends a description of the notes in a form substantially similar to that shown in Appendix 5 to a mailing list of investment dealers and banks interested in the purchase and sale of this type of security.

15. Permanent Notes

a. HUD will purchase Local Authority Permanent Notes to permanently finance the amount by which the latest HUD approved Determination of Minimum Development Cost (HUD-52397) in respect to any project exceeds the amount of bonds or Series A Notes issued for such purpose. Where an amount of Permanent Notes outstanding is sufficient, they may be refunded by the issuance of Temporary Notes or bonds. The Temporary Notes will be secured by the pledge of a Permanent Note. The form of resolution authorizing the issuance of Permanent Notes (HUD-52248) and the Permanent Note (HUD-52250) may be obtained from HUD.

b. The Local Authority shall furnish HUD with a certified transcript of its proceedings showing the adoption of the Permanent Note resolution for each Annual Contributions Contract. In respect to the permanently financed projects where HUD advances

^{1/} See Appendix 5, paragraph (7).

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are required, the Local Authority shall furnish HUD with a fully executed Permanent Note and Note Signature Certificate (HUD-5412). Only one Permanent Note shall be required for all projects under the same contract and having the same Minimum HUD Loan Interest Rate and Maximum Contribution Period. Advances will be made on Permanent Notes as provided in paragraph 3f.

16. Group Financing

a. General. Local Authorities are generally empowered to cooperate with one another in the exercise of their powers to issue bonds. Through this cooperative effort one Local Authority may issue a single issue of bonds in order to provide funds for its own needs and for the needs of other Local Authorities which may wish to cooperate for this purpose. In addition to the considerable savings in the expense of issuing and servicing a single issue of bonds, purchasers can charge a much lower interest rate on large issues.

b. Designating Agent Authority. When a group of Local Authorities proposes to cooperate in collectively financing their programs, they should decide which of their number will act as Agent Authority. The Board of Commissioners of this Local Authority will then adopt a resolution (HUD-53020) authorizing the execution of a Financing Agreement (HUD-53021) and determining to act as Agent Authority. Each of the remaining cooperating Local Authorities will adopt a resolution (HUD-53025) authorizing the execution of the Financing Agreement and empowering the Agent Authority to act in its behalf with respect to all powers except as expressly limited in the Financing Agreement. The Agent Authority and one of the cooperating Local Authorities through their proper officers will execute the Financing Agreement in their respective corporate names. Each other cooperating Local Authority shall complete and execute the Notice to Agent Authority to Become Party to the Financing Agreement (HUD-53021A). When the Notice is accepted by the authorized officer of the Agent Authority the cooperating Local Authority then becomes a party to the Financing Agreement.

c. Adding or Excluding Contracts Under Financing Agreement. Annual Contributions Contracts of parties to the Financing Agreement entered into subsequent to the Financing Agreement may be incorporated under the terms of the Financing Agreement upon authorization of the Local Authority Commissioners and acceptance by the authorized officer of the Agent Authority. The following is a suggested form of Resolution for this purpose:

Resolution Authorizing Amendment of Financing Agreement

"Whereas _____ (herein called
'Local Authority') is a party to that certain Financing Agreement with
_____ as Agent Authority
dated _____; and

"Whereas the Local Authority has entered into a certain contract with the Department of Housing and Urban Development identified as follows:

; and

"Whereas the Local Authority desires to include this contract under the terms of the Financing Agreement:

"Now therefore be it resolved by _____,
the Local Authority:

"The Local Authority hereby ratifies and confirms its acceptance of the terms and conditions of the Financing Agreement and authorizes and directs its proper officers to execute the Notice to Agent Authority to Become Party to the Financing Agreement, which is attached hereto and made a part hereof, with respect to the aforesaid contract."

The Notice referred to in the Resolution is Form HUD-53021A which should be executed and accepted in the same manner as when initially accepting the terms of the Financing Agreement. The Resolution and Notice when appropriately modified may also be used to exclude Local Authorities or any of their respective Annual Contributions Contracts from the terms of the Financing Agreement.

d. Procedure. The procedure for offering and selling bonds for group financing is the same as described in paragraphs 4 through 12 for individual Local Authorities and as specifically explained in the Financing Agreement, except that the extracts from the minutes of meetings of the cooperating Local Authorities authorizing the execution of the Financing Agreement, the executed Financing Agreement, and the accepted Notices to Agent Authority to Become Party to the Financing Agreement, are required to evidence the validity of the bonds in addition to the documents described for individual issues. For group financing, the bond resolution is in the form of HUD-52188A and the Certificate and Approval Regarding New Housing Authority Bonds is in the form of HUD-52200A. Bond counsel may require the member Local Authorities in some States to ratify the award of the Bonds by adoption of a resolution in the form of HUD-52188B.

e. Bonds in Lieu of Series A Notes. Group financing should be used to issue bonds instead of Series A Notes.

17. Supplementing Amount of Level Debt Service. "Level Debt Service" with respect to each issue of Bonds means the smallest uniform amount (rounded to ten dollars) which will provide for the payment of the principal and interest scheduled to become due within the twelve-month period following each Annual Contribution Date. When it becomes necessary to schedule Bond sales so that interest becomes due prior to an Annual Contribution Date, it may become necessary because of high interest rates to supplement the amount of the Level Debt Service.

a. Waiver of Annual Contributions Contract and Accounting Hdbk. Provisions. In any case such as described above, the provisions of Sections 411(D), 417(B) and 415(D) of the Terms and Conditions constituting Part Two of the Annual Contributions Contract and Section 15, Chapter 3 of Handbook RHA 7510.1 are waived to the extent necessary to permit:

The first principal maturity, together with the interest payable twelve, eighteen, and twenty-four months after the Bond Date of any issue of Bonds, to exceed the Level Debt Service of such issue; provided that provision for such excess and the Bond Service Carry-over on the Annual Contributions Date which occurs seventeen months and fourteen days after the Bond Date of such issue shall be made from the funds to the extent available and in the order of preference as follows:

- (i) monies on deposit in the Advance Amortization Fund;
- (ii) the amounts of
 - (a) interest deposited in the Debt Service Fund pursuant to Section 414(B) and clauses (2) and (3) of Section 416(C), and
 - (b) Residual Receipts deposited in the Debt Service Fund pursuant to clause (1) of Section 416(C);
- (iii) the amount of interest on such issue of Bonds which may be charged to Development Cost subsequent to the date of Full Availability, date of Permanent Financing or six months after the Bond Date, whichever is the latest.

In no event shall such amounts be available for the reduction of annual contributions nor may the Local Authority be reimbursed therefor from the Accruing Annual Contribution.

b. Responsibility of Office of Financial Systems and Services. OFSS will advise the Local Authority of the source of funds and the amount of such supplement.

PERMANENT FINANCING FORMS FOR USE BY LOCAL AUTHORITIES

<u>Form No.</u>	<u>Title or Description</u>	<u>Paragraph No.</u> <u>1/</u>
HUD-5402	Requisition for Funds	3f
HUD-52173	Fiscal Agent Agreement (bonds)	7a
HUD-52188	Resolution Authorizing Issuance of New Housing Authority Bonds	2c
HUD-52188A	Bond resolution for group financing	16d
HUD-52188B	Resolution Ratifying Award of Bonds in Group Financing	16d
HUD-52189	Conveyance in Trust	9b
HUD-52190	Declaration of Trust	9b
HUD-52200	Certificate and Approval Regarding New Housing Authority Bonds	
HUD-52200A	Certificate and Approval Regarding New Housing Authority Bonds for group financing	16d
HUD-52233	Award resolution (bonds)	6a
HUD-52272	Notice of Sale (short form, Series A Notes)	13b
HUD-52272A	Notice of Sale (Consolidated Form, Series A Notes)	13b
HUD-52273	Award resolution (Series A Notes)	13b
HUD-52274	Fiscal Agent Agreement (Series A Notes)	13c
HUD-52277	Proposal for the Purchase of Series A Notes	13b
HUD-52278	Resolution Authorizing Issuance of Housing Authority Series A Notes	13b
HUD-52301D	Notice of Sale ("consolidated" form, bonds)	4b
HUD-52301E	Notice of Sale ("short" form, bonds)	4b
HUD-52302D	Form of Proposal to be Completed, Dated, and Addressed to the Local Authority (bonds)	4b
HUD-52351	LHA letter to <u>The Daily Bond Buyer</u> (re note sale)	13b
HUD-52386	LHA letter to <u>The Daily Bond Buyer</u> (re bond sale)	4c
HUD-52397	Determination of Minimum Development Cost	3b
HUD-53020	Resolution Authorizing Execution of Financing Agreement and Determining to Act as Agent Authority	16b
HUD-53021	Financing Agreement with Agent Authority	16b
HUD-53021A	Notice to Agent Authority to Become Party to Financing Agreement	16b
HUD-53025	Resolution Authorizing Execution of Financing Agreement	16b

1/ Paragraph numbers indicate paragraphs in this Chapter in which each form is first referred to.

FORM OF LETTER FROM FISCAL AGENT FOR
SETTLEMENT FOR REPURCHASED BONDS

Addressed to Closing Bank

RE: \$ 1/ New Housing Authority
Bonds (2/ Issue) 3/ Housing
Authority.

Gentlemen:

In connection with the sale and delivery of the above-entitled Bonds, to 4/
and Associates, (Herein called "Purchasers"), we understand that you have been, or will be,
instructed by said Authority to make certain payments to us as Fiscal Agent of said Authority,
or as we may instruct, including the sum of \$ 5/, representing the premium to
be paid for said Bonds by the Purchasers, for deposit in the Advance Amortization Fund of
said Authority.

The Purchasers of such Bonds have agreed to sell and the Authority has agreed to buy the
number of such Bonds of the last maturity as may be repurchased with the monies available
for deposit in the Advance Amortization Fund, and we as Fiscal Agent are authorized to
apply the monies available for deposit in the Advance Amortization Fund to the payment of
the Bonds so purchased.

- 1/ Total principal amount of Bond Issue;
- 2/ Number of Bond Issue i.e., "First", "Second" etc.;
- 3/ Corporate name of Local Authority;
- 4/ Name of Bond Purchasers taken from their Proposal;
- 5/ Amount of Premium offered by Purchasers of Bonds, see Proposal of Purchasers;

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In order to facilitate this transaction and to avoid the delay and expense in the retransmission of funds, kindly apply so much of the above-mentioned sum as is necessary to pay the draft of the purchasers upon our bank to be presented to you, to which there shall be attached \$ 6/ principal amount of such Bonds as more fully described in the Statement of the of the Purchasers to said Authority accompanying the draft. Upon the consummation of this transaction, you are hereby authorized and directed to perforate the Bonds and coupons attached thereto accompanying said draft and to send them to us, uninsured, by registered mail. The balance, if any, of the above-mentioned sum remaining after payment of said draft is to be forwarded to us, registered mail, by your Cashier's check.

In the event that the amount of said draft of the Purchasers is an amount in excess of the aforesaid premium, the Authority will authorize and direct you in writing to apply an additional portion of the purchase price of the Bonds to be paid by the Purchasers to the payment of the draft of the Purchasers and the repurchase of the Bonds as aforesaid.

It is our understanding that you will not make any charge to the undersigned or to the Authority for your services in this matter.

Enclosed is a copy of this communication. If this letter correctly sets forth your understanding of this transaction, please sign the enclosed copy in the space provided and return it to us.

Very truly yours,

Fiscal Agent

Accepted:

Bank

6/ Principal amount of Bonds to be repurchased, see Statement of Purchasers.

FORM OF LETTER FROM LOCAL AUTHORITY TO CLOSING BANK WHEN
SETTLEMENT FOR REPURCHASED BONDS EXCEEDS AMOUNT OF PREMIUM

Addressed to Closing Bank

Re: 1/ New Housing Authority
Bonds (2/ Issue) 3/ Housing
Authority.

Gentlemen:

In connection with the delivery of the above-entitled Bonds, to 4/
and Associates (herein called "Purchasers"), this Authority has provided you with a Letter
of Instructions, dated 5/, 196/, authorizing and directing you with
respect to the disposition of the Balance of Purchase Price (as defined in said Letter of
Instructions), including the payment to this Authority of the remainder of said Balance of
Purchase Price in accordance with the provisions of subdivision (4) of said Letter of Instruc-
tions. You have also been instructed by our Fiscal Agent, the 6/
Bank, to pay the draft on the Fiscal Agent presented to you by the Purchasers and covering
the resale by said Purchasers to the Authority of \$ 7/ principal amount of such
Bonds as more fully described in the Statement of the Purchasers to this Authority accom-
panying the draft.

-
- 1/ Total principal amount of Bond Issue;
 - 2/ Number of Bond Issue i.e. "First," "Second" etc.;
 - 3/ Corporate name of Local Authority;
 - 4/ Name of Bond Purchasers taken from their Proposal;
 - 5/ Letter of Instructions will be prepared under direction of Counsel for Bond Purchasers;
 - 6/ Corporate name of your Local Fiscal Agent;
 - 7/ Principal amount of Bonds to be repurchased, see Statement of Purchasers.

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In order for you to have sufficient funds to comply with the instructions of the Fiscal Agent with respect to the payment of the draft of the Purchasers, we hereby authorize you to deduct from the remainder of the Balance of Purchase Price referred to in subdivision (4) of our Letter of Instructions to you aforesaid an amount sufficient to make up the difference between the amount of the draft of the Purchasers and the sum of \$ 8/ representing the premium paid on the Bonds by the Purchasers and to apply said amount in the payment of such draft of the Purchasers.

Very truly yours,

_____ Housing Authority

By _____
Title

8/ Amount of Premium offered by Purchasers of your Bonds, see Proposal of Purchasers.

DESCRIPTION OF NEW HOUSING AUTHORITY BONDS

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
Washington, D. C.

The Issuers: The bonds of each issue are obligations of the particular local public housing agency (the local authority) which is a public body, corporate and politic, created by or pursuant to the laws of one of the states or territories and engaged in the development and operation of a low-rent housing project or projects under the terms of an Annual Contributions Contract between such local authority and the United States of America acting through the Secretary of Housing and Urban Development (herein called "HUD") pursuant to the United States Housing Act of 1937, as amended.

The Annual Contributions Contract: The Annual Contributions Contract contains provisions which HUD, in said Contract, has determined are in accordance with Sec. 22(a) of the United States Housing Act of 1937, as amended, and provides for a loan of up to 90% of the development cost of the project or projects and for annual contributions in amounts which may not exceed a sum equal to annual yield, at the applicable "going Federal rate" (as defined in the Act) plus 2%, upon such development cost or extend for a period exceeding 40 years from the date the first annual contribution is paid pursuant to said Contract. HUD has made advances on account of the loans to the local authorities or has irrevocably agreed to make such advances as security for temporary loan obtained from others than HUD to assist the local authorities in the development of the projects covered by the Contract.

Purpose of Bond Issues: The proceeds of the bonds will be used to retire notes issued to HUD as evidence of advances made by HUD or to retire temporary loans obtained from others than HUD and the remainder will be used to meet the cost of the projects.

The Bonds: The bonds will be issued in bearer form as coupon bonds in the denomination of \$5,000 each, registerable as to principal only or as to both principal and interest and exchangeable for fully registered bonds without coupons in the denomination of \$5,000 each or any multiple thereof not exceeding the aggregate amount of bonds maturing in any year, or will be issued in fully registered form without coupons in the denomination of \$5,000 each or any multiple thereof not exceeding the aggregate amount of bonds maturing in any year and exchangeable for a like principal amount of coupon bonds in the denomination of \$5,000 each, or in either of such forms, as may be specified by the purchaser. Coupon or fully registered bonds after original issuance will be interchangeable as provided above at the expense of the holder. The purchaser will specify the form in which the bonds are to be originally issued by each local authority within seven days after the award of the bonds. The bonds will mature serially in not more than 40 annual installments with interest payable semi-annually. The bonds

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will be callable after 15 years from their date at 104 and declining in premium at 5-year intervals thereafter. The bonds will be payable locally at the office of the fiscal agent of each local authority and unless otherwise specifically stated in the Notice of Sale at an alternate place of payment in the City and State of New York as may be prescribed by the purchaser. The purchaser may also prescribe an additional alternate place of payment for the bonds. The fees and charges of the alternate paying agent or agents will be borne by the local authority.

Security for the Bonds: The bonds of each issue will be secured by a first pledge of annual contributions unconditionally payable by HUD pursuant to the Annual Contributions Contract in an amount which, together with other funds of the local authority actually available for such purpose, will be sufficient to pay the principal of and interest on each issue of bonds when due and, unless otherwise specifically stated in the official Notice of Sale, will be general obligations of the local authority. The annual contributions will be paid by HUD direct to the fiscal agent of the issuer. Section 10(e) of the United States Housing Act of 1937, as amended, provides that, "The faith of the United States is solemnly pledged to the payment of all annual contributions contracted for pursuant to this section, and there is hereby authorized to be appropriated in each fiscal year, out of any money in the Treasury not otherwise appropriated, the amounts necessary to provide for such payments."

Opinion of Attorney General: In an opinion rendered to the President on May 15, 1953, the United States Attorney General stated, in part:

"In reaching the conclusion that an Annual Contributions Contract creates a valid and binding obligation of the United States, it is pertinent to note that the language of section 10(e), under-scored herein, 'the faith of the United States is solemnly pledged to the payment of all annual contributions contracted for pursuant to this section,' is identical with language used by R.S. 3693 (31 U.S.C. 731) with respect to the interest-bearing obligations of the United States. It would be appropriate to conclude therefrom that the Congress intended to place on a similar footing the obligation to pay annual contributions contracted to be paid pursuant to the terms of the act.

"In summary, I am of the view that:

(1) The United States Housing Act, as amended to this date, is valid and constitutional; and

(2) A contract to pay annual contributions entered into by the PHA HUD in conformance with the provisions of the act is valid and binding upon the United States, and that the faith of the United States has been solemnly pledged to the payment of such contributions in the same terms its faith has been pledged to the payment of its interest-bearing obligations."

Incontestability of Bonds: Sec. 22(c) of the United States Housing Act of 1937 as added by the Housing Act of 1961 provides that the Bonds which bear, or are accompanied by, a certificate of HUD that such Bonds are secured by a pledge

of annual contributions "...shall be incontestable in the hands of a bearer, and the full faith and credit of the United States is pledged to the payment of all amounts agreed to be paid by the Authority ^{/HUD/} as security for such obligations ^{/Bonds/}." HUD, in pursuance of Sec. 22(c) of the United States Housing Act of 1937, as amended, will certify that the Bonds are secured by a pledge of the aforesaid annual contributions.

Tax Exemption Features: Section 5(e) of the United States Housing Act of 1937, as amended, provides that the bonds, including interest thereon, "shall be exempt from all taxation now or hereafter imposed by the United States." In most instances the bonds are also tax-exempt in the state under the laws of which the local authority was created.

Investment Status: The bonds will be eligible for purchase in an unlimited amount by national banks, and to the extent permitted by state laws, by state member banks of the Federal Reserve System.

Plan of Bidding: The Notice of Sale provides that each proposal shall: be submitted on a form prescribed by the local authority; prescribe a single rate of interest in a multiple of 1/8 of 1%; offer to purchase all of the bonds at not less than par and accrued interest; be accompanied by a certified or cashier's check in the specified amount of the good faith deposit; and, be enclosed in a sealed envelope marked "Proposal for Bonds." Proposals may be submitted subject to completion pursuant to telegraphic instructions which must be received by the Local Authority at or before the time above specified for the opening of proposals and with the understanding that the bidder will be responsible for any errors in transmission.

The Bonds will mature as set forth in a schedule of annual maturities as prescribed by the local authority at the interest rate prescribed by the successful bidder. Schedules of annual maturities at various interest rates and proposal forms will be furnished to bidders upon request addressed to the local authorities or to HUD, 421 Seventh St. SW, Washington, D.C. 20413, or to the Assistant Regional Administrators for Housing Assistance of HUD in the Cities of New York, New York; Atlanta, Georgia; Fort Worth, Texas; Chicago, Illinois; San Francisco, California; San Juan, Puerto Rico and Philadelphia, Pa.

The schedule of maturities at any specified interest rate is so arranged that on the delivery of the bonds of any issue the HUD obligation under the Annual Contributions Contract is fixed in an amount which will be sufficient to provide for the payment of each installment of interest and principal on the basis that any amount of the fixed annual contributions not needed for the payment of principal and interest in any year will be carried over and used to supplement the annual contribution in succeeding years.

Award and Delivery of Bonds: The bidder offering the lowest rate of interest and the highest premium will be awarded the bonds promptly and not later than 5 hours after the time specified in the official Notice of Sale for the opening of proposals. The bonds will be delivered to the purchaser without cost in New York City unless another place is mutually agreed upon. It is anticipated that the bonds will be delivered within thirty days from the time set for the opening of proposals, but if delivery of the bonds is not made within forty-five days from the time set for the opening of proposals, the good-faith deposit will be refunded at the option of the successful bidder.

refunded at the option of the successful bidder.

Legal Opinion: Bidders may condition their proposals upon receiving the unqualified approving opinion of bond counsel designated by them and whose fees or charges they will be obligated to pay. A copy of the complete legal opinion certified to by an officer of the local authority as evidenced by his facsimile signature will be printed on the back of each bond of each issue.

Group Financing: Local authorities are empowered to join and cooperate in the exercise of any of their powers and for such purpose may designate one of their number to act as agent. This power is exercised by groups of local authorities entering into a financing agreement pursuant to which an agent authority is authorized to issue bonds on behalf of one or more of the parties to the financing agreement. In this group financing a single large issue of bonds is sold in lieu of a number of smaller issues. New Housing Authority Bonds herein described which are issued under this group financing plan are in all respects identical to all other such Bonds except that the collective annual contributions and other funds of the participating authorities are pledged to the payment thereof. The Notice of Sale identifies the issues which are being offered on this basis.

DESCRIPTION OF SERIES A HOUSING AUTHORITY NOTES

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
Washington, D. C.

The Series A Notes of each issue are obligations of the particular local public housing agency (the local authority) which is a public body, corporate and politic, created by or pursuant to the laws of the states in which they are located. They are engaged in the development and operation of low-rent housing programs having a development cost of less than one million dollars under the terms of an Annual Contributions Contract between such local authority and the United States of America, acting through the Secretary of Housing and Urban Development (herein called "HUD") pursuant to the United States Housing Act of 1937, as amended.

The Series A Notes will be in coupon form, registerable as to principal or as to both principal and interest, reconvertible to bearer form at the option and expense of the holder. The Notes will mature serially in 8 annual installments with interest payable semi-annually. The Notes will be in denominations equal to the principal amount maturing in each year and are not redeemable. The Notes will be payable at the office of the Fiscal Agent of each local authority as the successful bidder shall designate within 48 hours after the opening of proposals. The total Series A Notes of each housing authority equal approximately 12% of the development cost of the low-rent housing projects being undertaken by them. The proceeds of the Series A Notes will provide funds necessary to pay development costs of such projects in excess of the amount which HUD may lend to each housing authority. The balance of such costs will be provided by HUD through the purchase of notes (called "Permanent Notes") of each housing authority.

The following are some of the advantages of these Series A Notes:

(1) Tax Exemption

Section 5(e) of the United States Housing Act of 1937 provides that the Notes, including interest thereon, shall be exempt from all taxation now or hereafter imposed by the United States. In a majority of the states which have provided for the creation of housing authorities the notes of the local authorities created in those states are also exempt from taxation.

(2) Maximum Security

The Series A Notes of each local authority will be secured (separate and apart from the Permanent Notes) by a first pledge of a separate specific portion of the annual contribution unconditionally payable by HUD pursuant to the Annual Contributions Contract in an amount which, together with other funds of the housing authority which are actually available for such purpose, will be sufficient to pay the principal of and interest on the Series A Notes when due.

Section 10(e) of the United States Housing Act of 1937, as amended, provides that the faith of the United States is solemnly pledged to the payment of all annual contributions contracted for pursuant

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to that Act, and there is authorized to be appropriated in each fiscal year, out of any money in the Treasury not otherwise appropriated, the amounts necessary to provide for such payments.

The Series A Notes are also secured by a first pledge of the net revenues of the project to be financed with the proceeds of such notes, and in the resolution authorizing the issuance of such notes the local authority will covenant, to fix and collect rents in amounts which together with the annual contributions payable by HUD will be sufficient to pay the principal of and interest on each issue of notes when due.

(3) Incontestability of Notes

Sec. 22(c) of the United States Housing Act of 1937 as added by the Housing Act of 1961 provides that the Notes which bear, or are accompanied by, a certificate of HUD that such Notes are secured by a pledge of annual contributions " * * shall be incontestable in the hands of a bearer, and the full faith and credit of the United States is pledged to the payment of all amounts agreed to be paid by the Authority ^{HUD} as security for such obligations ^{Notes}." HUD, in pursuance of Sec. 22(c) of the United States Housing Act of 1937, as amended, will certify that the Notes are secured by a pledge of the aforesaid annual contributions.

(4) Eligibility for Purchase by Banks

The Annual Contributions Contract contains provisions which HUD in said Contract has determined are in accordance with the provisions of Section 22(a) of the United States Housing Act of 1937, as amended, and the Series A Notes will be eligible for purchase in unlimited amounts by national banks, and to the extent permitted by state laws, by state member banks of the Federal Reserve System.

(5) The Series A Notes

The Series A Notes have an average approximate maturity of 4-3/4 years, will bear interest, payable semi-annually, at the rate (which must be a multiple of 1/8 of 1%) as prescribed by the successful bidder, will be issued in coupon form registersable as to principal only or as to both principal and interest with the privilege of reconversion at the expense of the holder into coupon notes and both principal and interest thereof will be payable at such bank (which must be a member of the Federal Deposit Insurance Corporation and have trust powers) as may be designated by the purchaser, on condition that such bank will contract with the local authority to act as Fiscal Agent pursuant to the resolution authorizing the notes, and for the payment of the Permanent Note during the eight year period in which the Series A Notes will be outstanding.

The Series A Notes are not subject to call prior to maturity.

(6) Fiscal Agent Designated by Purchaser

The local authority will pay the Fiscal Agent, which is designated by the purchaser as discussed in (4) above, for its services an initial fee of 1/10th of 1% of the principal amount of the Series A Note issue with a minimum of \$50.00, plus an annual fee of 1/20th of 1% of the principal amount of the Series A Note issue with a minimum of \$25.00 per annum.

The annual contributions contracted for in each case are reduced in each year to the extent that the local authority on the date the annual contributions are payable will have deposited with the Fiscal Agent net revenues of the project received during its preceding fiscal year. Such deposit by the local authority will be made with the Fiscal Agent annually on or before the annual contribution payment date which is 15 days prior to each semi-annual interest payment date. On the annual contribution payment date HUD will pay directly to the Fiscal Agent on behalf of the local authority the annual contribution needed to pay the debt service on the Series A Notes.

At the election of HUD, the annual contributions payable each year may be paid in two installments. If paid in installments, the first installment will be paid 15 days prior to the semi-annual interest payment date and the second installment will be paid 15 days prior to the annual principal maturity date. Each such installment together with the funds actually deposited by the local authority will be sufficient to pay or make provisions for the payment of any interest or principal due on the payment date.

(7) Legal Opinion

The purchaser shall also designate bond counsel to approve the validity of the Series A Notes. The local authority will pay the fees or charges of such counsel up to a maximum amount of \$250.00 and will furnish such counsel complete certified transcripts evidencing the lawful organization of the local authority and the validity of the Series A Notes.

(8) Delivery of Notes to Purchasers

The Series A Notes will be delivered by the local authority at the office of the Fiscal Agent or at such other place as is mutually agreed upon without cost to the purchaser.

Proposals for the purchase of each issue of notes must be submitted direct to the particular local housing authority on a form which has been prescribed by the local authorities and HUD (being Form HUD-52277).

Further information concerning the Series A Notes may be obtained from the respective local authorities at the address indicated on the attached list, or from the Dept. of Housing and Urban Development, Washington, D.C. 20410.

PLEASE SEE THE OFFICIAL NOTICES OF SALE FOR CORRECT ADDRESS AT WHICH BIDS WILL BE RECEIVED AND OPENED, AND AMOUNT OF SERIES A NOTES OFFERED BY THE RESPECTIVE HOUSING AUTHORITIES.

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TRANSMITTAL NOTICE

No. 2

1/12/70

-
1. This Notice Transmits the Following:
Appendix 1 to RHA 7560.1, Chapter 3.
 2. Explanation of Material Transmitted:
The Financing Schedule for Project Note sales has been updated for calendar year 1971.
 3. Filing Instructions:

Remove:

✓ Appendix 1, dated 5/69, to
RHA 7560.1, Chapter 3

Insert:

✓ Appendix 1, dated 1/70 to
RHA 7560.1, Chapter 3

DISTRIBUTION: A and B-3, 6, 9, 23
HA-8, E-3, I-1
W-1, W-3-1, R-1, R-2

APPENDIX -- PRIVATE FINANCING SCHEDULE FOR
PROJECT NOTES
ISSUED TO FINANCE LOW-RENT HOUSING PROJECTS

GROUP NUMBER (1)	ADVERTISING DATE /1 (2)	BID OPENING DATE /1 (3)	PROJECT NOTE (CLOSING) DATE /1 (4)	PROJECT NOTE MATURITY DATE /1 (5)
69-1	11-26-68	12-10-68	1-7-69	1-10-69
69-2	12-24-68	1-7-69	2-4-69	2-7-69
69-3	2-4-69	2-18-69	3-11-69	3-14-69
69-4	3-4-69	3-18-69	4-8-69	4-11-69
69-5	3-25-69	4-8-69	5-6-69	5-9-69
69-6	4-29-69	5-13-69	6-10-69	6-13-69
69-7	5-20-69	6-3-69	7-1-69	7-3-69 (Thurs.)
69-8	7-1-69	7-15-69	8-12-69	8-15-69
69-9	8-5-69	8-19-69	9-10-69 (Wed.)	9-12-69
69-10	8-26-69	9-10-69 (Wed.)	10-7-69	10-10-69
69-11	9-23-69	10-7-69	11-5-69 (Wed.)	11-7-69
69-12	11-3-69 (Mon.)	11-18-69	12-16-69	12-19-69
70-1	11-25-69	12-9-69	1-6-70	1-9-70
70-2	12-23-69	1-6-70	2-3-70	2-6-70
70-3	2-3-70	2-17-70	3-10-70	3-13-70
70-4	3-3-70	3-17-70	4-7-70	4-10-70
70-5	3-24-70	4-7-70	5-5-70	5-8-70
70-6	4-28-70	5-12-70	6-9-70	6-12-70
70-7	5-19-70	6-2-70	6-30-70	7-2-70 (Thurs.)
70-8	6-30-70	7-14-70	8-11-70	8-14-70
70-9	8-4-70	8-18-70	9-15-70	9-18-70
70-10	8-25-70	9-8-70	10-6-70	10-9-70
70-11	9-22-70	10-6-70	11-4-70 (Wed.)	11-6-70
70-12	11-2-70 (Mon.)	11-17-70	12-15-70	12-18-70

/1 Dates in Columns (2), (3) and (4) are Tuesdays unless otherwise specified.
Dates in Column (5) are Fridays unless otherwise specified.

NOTICE: This Schedule is subject to change.

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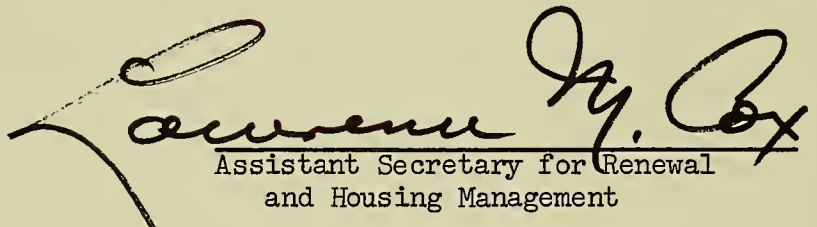
TRANSMITTAL NOTICE

No. 3

5/20/70

-
1. This Notice Transmits the Following:
Revised pages 7-10 of Chapter 4 of Handbook RHA 7560.1 dated 5/70.
 2. Explanation of Material Transmitted:
This revision allows for increasing the administrative charge for fiscal agent fees. It applies only to Fiscal Agent Agreements entered into after the date of this issuance.
 3. Filing Instructions:

<u>Remove:</u> ✓ Pages 7-10 of Chapter 4 reissued 6/69	<u>Insert:</u> ✓ Pages 7-10 of Chapter 4 dated 5/70
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Assistant Secretary for Renewal
and Housing Management

DISTRIBUTION: A and B-3, 6, 9, 23
HA-8, E-3, I-1
W-1, W-3-1, R-1, R-2



on the Annual Contributions Date and the date which is six months thereafter. On the semiannual interest dates and on the principal maturity dates of the bonds, the Fiscal Agent uses the money in the Debt Service Fund to pay the principal and interest on the bonds then becoming due and which are presented to the Fiscal Agent for payment, or transfers such money to the alternate paying agent for the payment of the bonds and coupons which are presented to such alternate paying agents for payment. Also, the Fiscal Agent periodically may be required to use monies in the Debt Service Fund to pay Permanent Notes and Temporary Notes. Each year, after making provision for the payment of the principal and interest which will become due during the next 12-month period, the Fiscal Agent will transfer all remaining monies in excess of an amount called "Bond Service Carryover" from the Debt Service Fund to another trust account called the "Advance Amortization Fund." Any premium received on the sale of its bonds will also be deposited in this fund. The Fiscal Agent will periodically, from monies in the Advance Amortization Fund, retire the Local Authority's Permanent Notes and bonds of the longest maturity by purchase or redemption. The Fiscal Agent may also be required to invest any amounts in the Advance Amortization Fund in specified types of securities or turn such amounts over to the Local Authority.

(3) The alternate paying agent is a bank which is a member of the Federal Deposit Insurance Corporation and is located in the City of New York. The purchaser of the bonds is given the right to designate such paying agent and may also designate an additional paying agent in some other locality. The purchaser is required to name the alternate paying agent or agents within 48 hours after the time set for the opening of proposals. If the purchaser fails to name an alternate paying agent in such time the Local Authority is required to designate such an agent located in New York, N. Y.

b. Maximum Fee Schedule

(1) Negotiations by HUD. The Notice of Sale requires the Local Authority to pay the alternate paying agent named by the purchaser a specified schedule of fees as set out below. The fees to be paid by the Local Authority to its local Fiscal Agent should be negotiated but may not exceed those set forth in the schedule. Commencing in 1962 New Housing Authority Bonds in coupon form are issued in \$5,000 denominations. HUD has undertaken negotiations with the principal New York banks which are usually named as alternate paying agents to arrive at reasonable fees for servicing bonds of this denomination. It has been agreed that HUD would approve the fees set forth in the schedule subject to renegotiation within three years from April 1, 1962. In order to provide for such renegotiation and to provide an appropriate amendment for Fiscal Agents' agreements already executed in connection with bonds of \$1,000 denomination, the following schedule is in the form of an amendment to HUD-52173.

(2) Form of Amendment

"A. Paragraph numbered 8 of said Fiscal Agent Agreement is modified to read as follows:

- "8. The Local Authority shall pay to the Fiscal Agent for its services and the services of the Alternate Paying Agents the following fees and charges:
- "a. Annual administrative charge of \$100 for the first one million dollars principal amount of bonds plus $1/100$ of 1% of the principal amount of bonds in excess of one million dollars, but in no event to exceed \$350 for all bonds issued pursuant to a single Annual Contributions Contract.
 - "b. For registration of bonds: an initial fee of 50¢ for the registration of each bond.
 - "c. For sorting, listing, cremating, and furnishing certificate of cremation:

1¢ for each coupon and $1\frac{1}{2}$ ¢ for each bond or minimum of \$10 for each semiannual cremation.
 - "d. For the payment of Permanent Notes, Temporary Notes, and interest on registered bonds: 25¢ per check disbursed.
 - "e. With respect to Bond issues in \$1000 denominations:
For the payment of coupons of each issue by either the Fiscal Agent or Alternate Paying Agent or Agents: 5¢ per coupon with a minimum of \$5.00 for each interest maturity. For the payment of bonds (registered or coupon) of each issue by either the Fiscal Agent or Alternate Paying Agent or Agents: \$1.00 per bond for the first 100 bonds of each maturity: 50¢ per bond for all in excess of 100 bonds of each maturity.
 - "f. With respect to Bond issues in \$5000 denominations: For the payment of coupons by either the Fiscal Agent or Alternate Paying Agent or Agents: 10¢ per coupon. For the payment of bonds (registered or coupon) by either the Fiscal Agent or Alternate Paying Agent or Agents: \$1.25 per bond.

"The Fiscal Agent agrees to pay all fees and charges of the Alternate Paying Agents and to pay all expenses for postage and insurance on bonds received for registration.

"B. In recognition of the fact that \$5000 denomination coupon bonds are an innovation, the parties hereto agree that immediately after April 1965, or such earlier time as reasonably accurate data are available to enable the determination of the reasonableness of the fees and charges set forth in 8f above, to renegotiate the amounts therein set forth."

(3) Special Instances. This amendment should not be used to provide an increase in any fees under existing Fiscal Agents' agreements. Where the existing fees for bonds of \$1,000 denomination are less than those provided in subsection 8e of the suggested form of amendment, that subsection should be modified to reflect the existing fees. If a Local Authority does not have outstanding bonds of \$1,000 denomination, subsection 8e may be omitted.

c. Bank Officers' Authority to Execute Agreement. The Local Authority should require the Fiscal Agent to furnish certified copies of its bylaws or resolutions authorizing the execution of the Fiscal Agent Agreement (HUD-52173) on behalf of the bank.

8. Preparation and Signing of Bonds

a. Award of Contract

(1) At the time HUD notifies the Local Authority of the date for the sale of the bonds, qualified bank note companies will be advised of this fact and requested to submit quotations for the printing of the Local Authority's bonds. The Local Authority should select the engraver and award the printing contract not later than the date of publication of the Notice of Sale of the proposed bond issues.

(2) The Notice of Sale provides that it is anticipated the bonds will be delivered within 30 days from the time set for the opening of proposals, but if delivery of the bonds is not made within 45 days from the time set for the opening of proposals, the good faith deposit will be refunded at the option of the successful bidder.

(3) It is of extreme importance that the award of the printing contract be made promptly and that the engraver be furnished with the bond text. HUD will supply forms of bonds for particular States which can be completed and used for this purpose. Since the printing contract will have been awarded prior to the opening of proposals, there will not be available at this time the interest rate to be borne by the bonds, the annual maturity schedule, or the names of the alternate paying agents whose names and addresses will appear in the bond text. These items will be furnished to the engraver after the award of the bonds. A copy of the bond text should also be furnished to bond counsel.

(4) In coordinating the scheduling of projects for permanent financing, HUD will advise the bank note companies of the maximum time within which each issue of bonds must be delivered in order to comply with the contract of sale of such bonds and to effect maximum savings in interest costs by having the bond delivery coincide as nearly as practicable with the maturity date of Temporary Notes being refunded by such issues of bonds. The contract between the Local Authority and the bond engraver should specify that the bonds will be ready for delivery on or before the date so specified.

b. Specifications for Bonds. The following are minimum specifications for the printing of the bonds and the bond engraver should be required to certify that the bonds will be printed subject to such specifications:

- (1) Bond Forms. The bond forms used must not be purchasable in blank by printers or others, but must be purchasable only in the form of completed bonds from responsible engraving companies. The name of the engraving company must appear on each bond coupon. The bond form should be of "wing type" (that is, bond and coupon reproduced on a single sheet of paper) and must be of the approximate size of 16" x 27" for the bond and coupons. The coupons must be approximately 1" x 2 1/2". The vignette should be symbolic of building construction with one or two supporting human figures. The paper used must be 100 percent rag bond paper. The color of the border and undertint should be bank note green for the first issue of bonds of each Local Authority. Second and subsequent issues should be as follows: second, orange; third, blue; fourth, olive; fifth, brown; sixth, purple; seventh, red; eighth, blue-gray; ninth, maroon. On all issues after the ninth issue the bond colors shall be as follows: tenth, terra cotta; eleventh, dark green; twelfth, dark orange or 'rex' orange; thirteenth, dark blue; fourteenth, ripe olive; fifteenth, walnut brown; sixteenth, violet or deep purple; seventeenth, rose or deep red; eighteenth, dark blue-gray; nineteenth, dark maroon; twentieth, dark terra cotta. The twenty-first and subsequent issues may be the lighter shades of the first ten colors instead of the darker shades.
- (2) Face of Bonds. The border, denominational counter, denominational figure, vignette, and undertint underlying all or part of the text must be steel engraved. The text must be of type composition, either lithographed or type printed.
- (3) Filing (Back of Bond). The border, denominational counter and denominational figure must be lithographed. The text must be from type composition, either lithographed or type printed. The back of the bond should be serially numbered.

U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
HOUSING MANAGEMENT

LOW-RENT HOUSING
FINANCING HANDBOOK

HM 7560.1

TRANSMITTAL NOTICE

No. 4

5/7/71

1. This Notice Transmits the Following:
Revised page 8, chapter 4, of Handbook HM 7560.1.
2. Explanation of Material Transmitted:
This material clarifies a previous handbook revision which increased the administrative charge for fiscal agent fees. The change will allow proper compensation to fiscal agents since the language is altered to make clear that the fee is related to a specific issue of bonds rather than all bonds issued pursuant to a single Annual Contributions Contract.
3. Filing Instructions:

Remove:
✓ pp. 7 and 8 dated 5/70

Insert:
✓ p. 7 dated 5/70 and p. 8 dated 5/71


Acting Assistant Secretary for
Housing Management

DISTRIBUTION: A and B-3, 6, 9, 23 (LHA's)
HA-8, I-1, E-3
W-1, W-2, W-3, W-3-1
R-1, R-2, R-3, R-3-1 (HMCS), R-5

on the Annual Contributions Date and the date which is six months thereafter. On the semiannual interest dates and on the principal maturity dates of the bonds, the Fiscal Agent uses the money in the Debt Service Fund to pay the principal and interest on the bonds then becoming due and which are presented to the Fiscal Agent for payment, or transfers such money to the alternate paying agent for the payment of the bonds and coupons which are presented to such alternate paying agents for payment. Also, the Fiscal Agent periodically may be required to use monies in the Debt Service Fund to pay Permanent Notes and Project Notes. Each year, after making provision for the payment of the principal and interest which will become due during the next 12-month period, the Fiscal Agent will transfer all remaining monies in excess of an amount called "Bond Service Carryover" from the Debt Service Fund to another trust account called the "Advance Amortization Fund." Any premium received on the sale of its bonds will also be deposited in this fund. The Fiscal Agent will periodically, from monies in the Advance Amortization Fund, retire the Local Authority's Permanent Notes and bonds of the longest maturity by purchase or redemption. The Fiscal Agent may also be required to invest any amounts in the Advance Amortization Fund in specified types of securities or turn such amounts over to the Local Authority.

(3) The alternate paying agent is a bank which is a member of the Federal Deposit Insurance Corporation and is located in the City of New York. The purchaser of the bonds is given the right to designate such paying agent and may also designate an additional paying agent in some other locality. The purchaser is required to name the alternate paying agent or agents within 48 hours after the time set for the opening of proposals. If the purchaser fails to name an alternate paying agent in such time the Local Authority is required to designate such an agent located in New York, N. Y.

b. Maximum Fee Schedule

*

(1) Negotiations Required by HUD. The fees to be paid by the Local Authority to its local Fiscal Agent should be negotiated and set forth in paragraph 7 of the Fiscal Agent Agreement, Form HUD-52173, or Form HUD-52173A for Group Financing. They may not exceed those shown in the schedule of fees below.

*

CHAPTER 4

- * (2) Allowable Fee Schedule. Paragraph numbered 7 of the Fiscal Agent Agreement is modified to read as follows:

"7. The Local Authority shall pay to the Fiscal Agent for its services and the services of the Alternate Paying Agent(s) the following fees and charges:

"a. Annual administrative charge of \$300 for the first one million dollars principal amount of bonds plus $1/50$ of 1% of the principal amount of bonds in excess of one million dollars, but in no event to exceed \$1000 for all bonds issued pursuant to a single Annual Contributions Contract.

"b. For registration of bonds: an initial fee of 50¢ for the registration of each bond.

"c. For sorting, listing, cremating, and furnishing certificate of cremation:

1¢ for each coupon and 1-1/2¢ for each bond or minimum of \$10 for each semianual cremation.

"d. For the payment of Permanent Notes, Project Notes, and interest on registered bonds: 25¢ per check disbursed.

"e. For the payment of coupons by either the Fiscal Agent or Alternate Paying Agent or Agents: 10¢ per coupon. For the payment of bonds (registered or coupon) by either the Fiscal Agent or Alternate Paying Agent or Agents: \$1.25 per bond.

"The Fiscal Agent agrees to pay all fees and charges of the Alternate Paying Agents and to pay all expenses for postage and insurance on bonds received for registration."

- (3) Applicability of Modification. This modification should not be used to provide an increase in any fees relating to bond issues outstanding prior to July 1, 1970.

*

CHAPTER 5. INTEREST AND ANNUAL CONTRIBUTION RATES
FOR LOW-INCOME PUBLIC HOUSING CONTRACTS

SECTION 1. RATES APPLICABLE FEBRUARY 23, 1976, THROUGH
FEBRUARY 29, 1976

1. CURRENT DEPARTMENT DETERMINATION. Pursuant to Section 4(a) of the United States Housing Act of 1937 as amended by the Housing and Community Development Act of 1974, the rate of interest specified for the period from February 23, 1976, through February 29, 1976, is 7-1/8 percent.

2. ANNUAL CONTRIBUTIONS CONTRACT PROVISIONS FOR DEBT SERVICE UNDER SECTION 5(a) OF THE UNITED STATES HOUSING ACT OF 1937 AS AMENDED BY THE HOUSING AND COMMUNITY DEVELOPMENT ACT OF 1974.

a. The rates for all Annual Contributions Contracts and amendments (except as otherwise specified below) approved during the subject period shall be:

Minimum Loan Interest Rate = 7-1/8 Percent
Maximum Debt Service
Contribution Percentage = 7.611 Percent

b. The rates for Mutual-Help twenty-five year Contracts and amendments approved during the subject period shall be:

Minimum Loan Interest Rate = 7-1/8 Percent
Maximum Debt Service
Contribution Percentage = 8.679 Percent

c. (1) The rates for thirty-year Homeownership Opportunity Contracts and amendments approved during the subject period shall be:

Minimum Loan Interest Rate = 7-1/8 Percent
Maximum Debt Service
Contribution Percentage = 8.161 Percent

(2) The rate for amendments approved during the subject period for twenty-five year Homeownership Opportunity Contracts not being amended to thirty years shall be:

Minimum Loan Interest Rate = 7-1/8 Percent
Maximum Debt Service
Contribution Percentage = 8.679 Percent

CHAPTER 5, SECTION 1

d. The Flexible Formula Fixed (Basic) Annual Contribution Rate for contracts and amendments approved during the subject period shall be 6.206 percent.

e. Consideration will be given to increasing the contract maximum annual contribution rate in individual cases when necessary. Contracts or amendments shall not reduce the maximum annual contribution percentage allowable for a project [1] if the reduction would reduce the amortization rate of the existing indebtedness in the case of mutual-help and other homeownership projects or [2] if it would reduce the maximum annual contribution allocable to any project to a sum less than the aggregate of (i) the level debt service of all unmatured bonds issued in respect to such project plus (ii) the amount required to amortize any indebtedness in connection with such project, other than bonds, for which annual contributions are pledged.

3. RATES FOR MODERNIZATION PROGRAMS

a. The Minimum Loan Interest Rates for Modernization Programs approved during the subject period shall be:

- (1) 7-1/8 percent for projects financed for forty years, and
- (2) 7-5/8 percent for projects financed for sixty years.

b. The Maximum Contribution Percentage for such programs approved during the subject period shall be:

- (1) 9-1/8 percent for projects financed for forty years, and
- (2) 8-1/8 percent for projects financed for sixty years.

(See also HM 7485.1 SUPP 2, Processing of HUD Modernization Lists for Annual Contributions Contract Amendments, dated 5/71.)

4. INAPPLICABILITY. These provisions are not applicable to annual contributions for Section 8 projects, nor for operations pursuant to Section 9 of the Housing and Community Development Act of 1974.

NOTE: As used in this Section, the phrase "approved during the subject period" means "on a HUD List for Annual Contributions Contracts signed during the subject period."

U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
HOUSING MANAGEMENT

LOW-RENT HOUSING
FINANCING HANDBOOK

HM 7560.1

TRANSMITTAL NOTICE

No. 5

9/23/71

1. This Notice Transmits the Following:

Revised Appendix 1, Chapter 3, HM 7560.1.

2. Explanation of Material Transmitted:

The financing schedule for project note sales has been updated to include calendar year 1973.

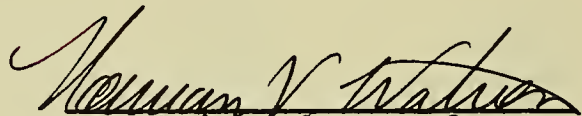
3. Filing Instructions:

✓ Remove:

Appendix 1, Chapter 3,
dated 1/70

✓ Insert:

Appendix 1, Chapter 3,
dated 9/71



Assistant Secretary for
Housing Management

DISTRIBUTION: Tabs-3, 6, 9, 23 (LHA's-138)
I-1, E-3, W-1, W-2, W-3, W-3-1
R-1, R-2, R-3, R-3-1 (HM),
R-3-2, R-5

FINANCING AND FINANCIAL REPORTS
CHAPTER 3 APPENDIX 1

PRIVATE FINANCING SCHEDULE FOR
PROJECT NOTES
ISSUED TO FINANCE HOUSING ASSISTANCE PROJECTS

GROUP NUMBER (1)	ADVERTISING DATE <u>/1</u> (2)	BID OPENING DATE <u>/1</u> (3)	PROJECT NOTE (CLOSING) DATE <u>/1</u> (4)	PROJECT NOTE MATURITY DATE <u>/1</u> (5)
70-1	11-25-69	12-09-69	1-06-70	1-09-70
70-2	12-23-69	1-06-70	2-03-70	2-06-70
70-3	2-03-70	2-17-70	3-10-70	3-13-70
70-4	3-03-70	3-17-70	4-07-70	4-10-70
70-5	3-24-70	4-07-70	5-05-70	5-08-70
70-6	4-28-70	5-12-70	6-09-70	6-12-70
70-7	5-19-70	6-02-70	6-30-70	7-02-70 (Thur.)
70-8	6-30-70	7-14-70	8-11-70	8-14-70
70-9	8-04-70	8-18-70	9-15-70	9-18-70
70-10	8-25-70	9-08-70	10-06-70	10-09-70
70-11	9-22-70	10-06-70	11-04-70 (Wed.)	11-06-70
70-12	11-02-70 (Mon.)	11-17-70	12-15-70	12-18-70
71-1	11-24-70	12-08-70	1-05-71	1-08-71
71-2	12-22-70	1-05-71	2-02-71	2-05-71
71-3	2-02-71	2-16-71	3-16-71	3-19-71
71-4	3-02-71	3-16-71	4-13-71	4-16-71
71-5	3-23-71	4-06-71	5-04-71	5-07-71
71-6	4-27-71	5-11-71	6-08-71	6-11-71
71-7	5-18-71	6-01-71	6-29-71	7-02-71
71-8	6-29-71	7-13-71	8-10-71	8-13-71
71-9	8-03-71	8-17-71	9-14-71	9-17-71
71-10	8-24-71	9-08-71 (Wed.)	10-05-71	10-08-71
71-11	9-21-71	10-05-71	11-03-71 (Wed.)	11-05-71
71-12	10-27-71 (Wed.)	11-09-71	12-07-71	12-10-71

/1 Dates in Columns (2), (3) and (4) are Tuesdays unless otherwise specified. Dates in Column (5) are Fridays unless otherwise specified.

NOTICE: This schedule is subject to change.

U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
HOUSING MANAGEMENT

LOW-RENT HOUSING
FINANCING HANDBOOK

TRANSMITTAL NOTICE

No. 18

7560.1

2/6/76

1. This Notice Transmits the Following:

Changed Chapter 5, Section 1, Low-Rent Housing Financing Handbook 7560.1, dated 2/76.

2. Explanation of Material Transmitted:

Page 1 is applicable for the period from January 1, 1976, to February 22, 1976, only. In addition, twenty-five years has been inserted as the term of Mutual-Help Contracts, and a revised Maximum Contribution Percentage for such contracts is stated. The changes are indicated by asterisks.

3. Effective Date:

These rates are effective as of January 1, 1976.

4. Filing Instructions:

Remove:

Handbook 7560.1
Chapter 5
Section 1, Pages 1 and 2,
dated 1/76

not here

Insert:

Handbook 7560.1
Chapter 5
Section 1, Page 1 dated 2/76
and Page 2 dated 1/76

ok

Kenneth C. Orledge

Assistant Secretary
for Housing Management

Acting

HM:DISTRIBUTION: 138, 045, 061, W-1, W-2, W-3, W-3-1, W-4
R-1, R-2, R-3, R-3-1(HM), R-3-2, R-4, R-4-1
R-4-2, R-5, R-5-1, R-5-2

U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

HOUSING MANAGEMENT

LOW-RENT HOUSING
FINANCING HANDBOOK

TRANSMITTAL

NO. 19

7560.1

3/2/76

1. This Notice Transmits the Following:

Revised Chapter 5, Section 1, Low-Rent Housing Financing Handbook 7560.1, dated 3/76.

2. Explanation of Material Transmitted:

Section 1 establishes the interest and annual contribution rates for Low-Income Housing Contracts for the period February 23, 1976, through February 29, 1976.

The U.S. Treasury Department will no longer make such determinations; they will now be made by HUD. In addition, the "going Federal rate" will no longer be used.

In the future, interest and annual contribution rates will be furnished monthly in accordance with the requirements of Section 4(a) of the Housing and Community Development Act of 1974 and the Treasury Department.

3. Effective Date:

These rates are effective as of February 23, 1976.

4. Filing Instructions:

Remove:

Handbook 7560.1
Chapter 5
Section 1, Pages 1 and 2,
dated 2/76

Insert:

Handbook 7560.1
Chapter 5
Section 1, Pages 1 and 2,
dated 3/76

Laurel E. Ode. J.

Deputy Assistant Secretary
for Housing Management

HM:DISTRIBUTION: 138, 045, 061, W-1, W-2, W-3, W-3-1, W-4
R-1, R-2, R-3, R-3-1(HM), R-3-2, R-4
R-4-1, R-4-2, R-5, R-5-1, R-5-2

CHAPTER 5, SECTION 1

CHAPTER 5. INTEREST AND ANNUAL CONTRIBUTION RATES
FOR LOW-INCOME PUBLIC HOUSING CONTRACTS

* SECTION 1. RATES APPLICABLE JANUARY 1, 1976, THROUGH FEBRUARY 22, 1976 *

1. CURRENT TREASURY DEPARTMENT DETERMINATION. Pursuant to Section 2, Paragraph (10), of the United States Housing Act of 1937, the Secretary of the Treasury has specified 7-1/8 percent per annum to be the "going Federal rate" applicable to the period from January 1, 1976, through
* February 22, 1976, when a new determination will be made pursuant to Section 4(a) of the U. S. Housing Act of 1937 as amended by the Housing and Community Development Act of 1974. *

2. ANNUAL CONTRIBUTIONS CONTRACT PROVISIONS:

a. The rates for all Annual Contributions Contracts and amendments (except as otherwise specified below) approved during the subject period shall be:

Minimum Loan Interest Rate = 7-1/8 Percent

Maximum Contribution Percentage = 7.611 Percent

* b. The rates for twenty-five year Mutual-Help Contracts and amendments approved during the subject period shall be:

Minimum Loan Interest Rate = 7-1/8 Percent

Maximum Contribution Percentage = 8.679 Percent *

c. (1) The rates for thirty-year Homeownership Opportunity Contracts and amendments approved during the subject period shall be:

Minimum Loan Interest Rate = 7-1/8 Percent

Maximum Contribution Percentage = 8.161 Percent

(2) The rate for amendments approved during the subject period for twenty-five year Homeownership Opportunity Contracts not being amended to thirty years shall be:

Minimum Loan Interest Rate = 7-1/8 Percent

Maximum Contribution Percentage = 8.679 Percent

d. The Flexible Formula Fixed (Basic) Annual Contribution Rate for contracts and amendments approved during the subject period shall be 6.206 percent.

e. All HUD Lists for Annual Contributions Contracts signed during the subject period shall be approved at the annual contribution rate of 9-1/8 percent (the "going Federal rate" plus 2 percent). Consideration will be given to increasing the contract maximum annual contribution rate above 7.611 percent in individual cases when necessary. Contracts or amendments shall not reduce the maximum annual contribution percentage allowable for a project [1] if the reduction would reduce the amortization rate of the existing indebtedness in the case of mutual-help and other homeownership projects or [2] if it would reduce the maximum annual contribution allocable to any project to a sum less than the aggregate of (i) the level debt service of all unmatured bonds issued in respect to such project plus (ii) the amount required to amortize any indebtedness in connection with such project, other than bonds, for which annual contributions are pledged.

3. RATES FOR MODERNIZATION PROGRAMS.

a. The Minimum Loan Interest Rates for Modernization Programs approved during the subject period shall be:

- (1) 7-1/8 percent for projects financed for forty years, and
- (2) 7-5/8 percent for projects financed for sixty years.

b. The Maximum Contribution Percentage for such programs approved during the subject period shall be:

- (1) 9-1/8 percent for project financed for forty years, and
- (2) 8-1/8 percent for projects financed for sixty years.

(See also HM 7485.1 SUPP 2, Processing of HUD Modernization Lists for Annual Contributions Contract Amendments, dated 5/71.)

NOTE: As used in this Section, the phrase "approved during the subject period" means "on a HUD List for Annual Contributions Contracts signed during the subject period."

